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Weekend FT

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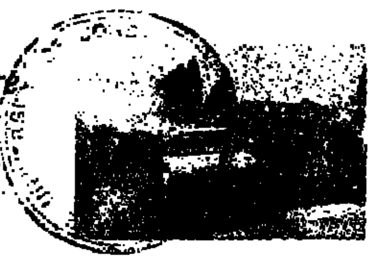

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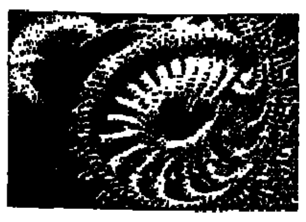

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FINANCIAL TIMES

Europe's Business Newspaper

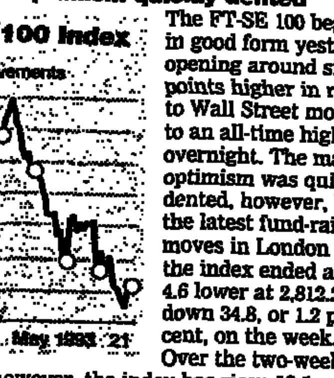
WEEKEND MAY 22/MAY 23 1993 D8523A

Brixton Estate seeks £100m for property deals

Brixton Estate, seventh largest UK property group, launched a two-for-five rights issue to raise £100.7m ($156m) to buy property while market prices remain low. Two of the group's biggest shareholders, Clerical Medical & General Life Assurance Society and Royal Insurance Asset Management, which own 37.4 per cent of the group, will take up their rights. The new shares are being offered at the discounted price of 155p. Yesterday the group's shares rose 11p to 207p. Page 10; Lex, Page 24

Most CIS states to drop rouble: Most of the former Soviet Union states are expected to introduce their own currencies in the next 12 months as part of an International Monetary Fund plan to control inflation. Page 2

Market's optimism quickly dented



The FT-SE 100 began in good form yesterday, opening around six points higher in response to Wall Street moving to an all-time high overnight. The market's optimism was quickly dented, however, by the latest fund-raising moves in London and the index ended a net 4.6 lower at 2,812.2, down 34.8, or 1.2 per cent, on the week. Over the two-week account, however, the index has risen 18.5, or 0.6 per cent. Page 15; Lex, Page 24

US health plan attacked: President Bill Clinton's health care task force's proposal to transfer medical malpractice liability from individual doctors to hospitals and insurers was attacked by insurers and consumer groups. Page 24

Cairo bomb kills three: A bomb exploded in central Cairo killing three people, including a 10-year-old girl, and injuring at least 13 other people. It is thought to have been planted by Moslem militants fighting to turn Egypt into an Islamic state.

Japan's surplus explained: Japan's Ministry of International Trade and Industry says the country's massive surplus is due to the fall in imports resulting from the bursting of the country's economic bubble and is likely to decline. Page 4

Council payments illegal: The Labour-controlled London Borough of Lambeth has made unlawful payments of £20.2m ($31.1m) since 1988 by giving highways contracts to its staff instead of allowing competitive tendering, according to an auditor's report. Page 24

Swan Hunter jobs to go: Shipbuilder Swan Hunter in north-east England is to shed 420 jobs, receivers Price Waterhouse confirmed. Page 6

Aircraft crashed on M-way: The pilot of a light aircraft from the UK town of Rochester in Kent was seriously hurt when he landed it on the nearby M2 motorway. Four tourists on a German-registered coach which crashed into the wreckage were slightly injured.

Insurer fined: NM Financial Management, UK life insurance division of Australia-based National Mutual, has been fined £45,000 ($69,000) by regulators for failing to ensure that "best advice" was given to clients. Page 6

Icahn bid rejected: Carl Icahn's $1.8bn bid for E-II Holdings, bankrupt US parent company of Samsonite luggage, Culligan water softener and McGregor clothing, has been rejected on the advice of creditors. Page 12.

Brewers' battleground: Wolverhampton & Dudley Breweries reported a marginal increase in first-half profits to £16.65m. ($25.6) It said its trading area in the Midlands and north-west England had become a battleground for market share. Page 10; Lex, Page 24

The Queen Mother, 92, spent a second night in hospital in Aberdeen after an operation to clear a piece of food lodged in her throat.

Australia win: Australia beat England by six wickets in yesterday's one-day Texaco Trophy international match at Edgbaston.

Arnhem hero dies: Major-General John Frost, whose stand against superior German forces at Arnhem in 1944 was portrayed in the film A Bridge Too Far, died aged 80.

STOCK MARKET INDICES

FT-SE 100:	2812.2	(-4.6)
Yield	4.05	
FT-SE Eurotrack 100	1155.78	(-0.25)
FT-A All-Share	1392.63	(-0.1%)
Nikkei	20,557.47	(+227.08)
New York lunchtime:		
Dow Jones Ind Ave	3512.48	(-10.80)
S&P Composite	449.89	(-1.50)

US LUNCHTIME RATES

Federal Funds:	$2\frac{15}{16}$%
3-mo Treas Bills: Yld	3.054%
Long Bond	$101\frac{3}{16}$
Yield	7.026%

LONDON MONEY

3-mo Interbank	$6\frac{1}{8}$%	($6\frac{1}{16}$%)
Liffe long gilt future:	Jun $104\frac{1}{8}$	(Jun $104\frac{5}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (July)	$18.42	(18.455)

Gold

New York Comex (June)	$377.9	(374.7)
London	$375.15	(373.25)

STERLING

New York lunchtime:		
$	1.5435	
London:		
$	1.5415	(1.556)
DM	2.5075	(2.51)
FFr	8.44	(8.465)
SFr	2.27	(2.28)
Y	170.25	(172)
£ Index	80.6	(80.9)

DOLLAR

New York lunchtime:		
DM	1.6255	
FFr	5.471	
SFr	1.4715	
Y	110.25	
London:		
DM	1.6275	(1.6135)
FFr	5.475	(5.44)
SFr	1.4725	(1.465)
Y	110.4	(110.5)
$ Index	64.3	(64.1)

Tokyo close Y 110.52

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Chancellor hails 1.3% annual RPI rate as 'astonishing' achievement

Inflation lowest for 29 years

By Peter Marsh,
Economics Correspondent

THE GOVERNMENT'S battered reputation for economic management received a boost yesterday with news that inflation had come down to its lowest level for 29 years.

Mr Norman Lamont, the chancellor, hailed the drop in retail price inflation in April to a year-on-year rate of 1.3 per cent as an "astonishing" achievement that would underpin an upturn by helping investment and jobs.

UK inflation is now well below half the 3.5 per cent average in European Community countries. Only Denmark among Britain's EC partners has a lower figure.

The response in financial markets was more muted, with gilts, London share prices and sterling all registering falls. Many investors believe UK inflation has bottomed, and may rise strongly in coming months assuming the recovery picks up.

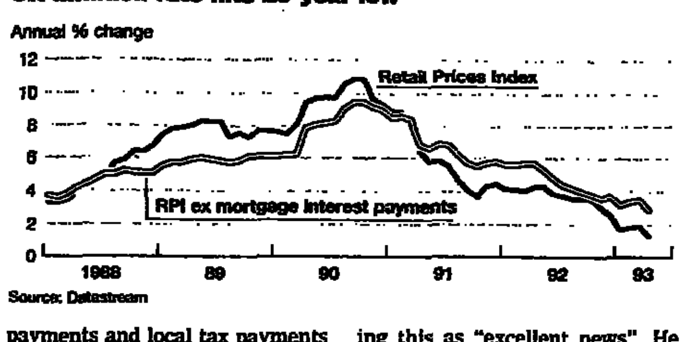
The retail prices index last month was 1.3 per cent higher than in April last year, after a year-on-year rise of 1.9 per cent in March.

Excluding mortgage interest payments, the RPI rose 2.9 per cent between April 1992 and last month, after increasing 3.5 per cent in the 12 months to March. The lowest rate by this measure since the government started records in 1975 was exceptionally good news for the Treasury, which aims to keep this figure below 4 per cent.

Although generally weak demand pressures caused by the recession played their part, the overriding reason for the shift in the headline RPI rate was the switch from poll tax to council tax last month. The average householder now pays a far smaller bill for local taxes.

Another measure of inflation – the RPI excluding both mortgage payments and local tax payments – showed a small rise between March and April from 3.2 per cent to 3.3 per cent. The year-on-year rise in this measure stood at 3.3 per cent in December last year and reached a low of 2.9 per cent in January.

UK inflation rate hits 29-year low



Source: Datastream

Mr Lamont, in bullish comments to reporters outside 11 Downing Street, concentrated on the headline RPI figure, heralding this as "excellent news". He added: "Britain is very firmly in the low inflation camp among the major economies and I am determined that we are going to stay that way."

Mr Gordon Brown, the shadow chancellor, was less enthusiastic. He warned that inflation would go up in coming months.

A similarly downbeat mood was evident on financial markets, where the inflation news failed to excite investors, even though the headline RPI figure was slightly lower than the City had expected. Mr John Shepperd, an economist at S.G. Warburg Securities, said: "We are not seeing any fundamental improvement [on inflation], more a statistical blip."

Such sentiments unsettled investors on the gilt market, where 10-year securities lost a quarter of a point. London shares slid fractionally, with the FT-SE 100 index of leading stocks shedding 4.6 to close at 2,812.2. On the foreign exchange markets, the pound lost a quarter of a pfennig against a weak D-Mark to finish at DM2.5075, though still up more than 4 pfennigs on the week. Against the dollar, the pound closed at $1.4415, down more than 1 cent on the day.

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Faltering feeling lost, Page 9
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Queen to be first UK monarch to meet Irish president

By Ralph Atkins

AFTER seven decades during which British monarchs seemed to overlook the existence of the neighbouring Irish Republic, the royal frost has now thawed a little. Ireland's President Mary Robinson has been invited to London for tea with the Queen.

Buckingham Palace did not announce next Thursday's visit, but it confirmed leaks from Dublin. It will be a private visit, a courtesy call, a palace official said yesterday. There is no question of a state occasion. Troops will not be reviewed.

The Queen went to Germany last year, hoping to heal wounds of the second world war. She visited Spain in 1988, shrugging of the UK's territorial dispute over Gibraltar. In the US, once a British colony, the Queen draws crowds. Even the French have been known to wave flags for her.

But historical divisions between Britain and Ireland live on. No British King or Queen has met an Irish president before. The last monarch to visit southern Ireland was Edward VII in 1903 – almost 20 years before the partitioning of Ulster and the creation of an Irish Free State.

Next week's visit illustrates the improvement in UK-Irish government relations which – even as late as the 1980s – were punctuated by ill-tempered outbursts over the extradition of Irish terrorists, or the quality of British justice.

The neighbourliness is not reflected, however, in Northern Ireland. Yesterday local election results in the province set back hopes of Irish and British ministers that "round-table" political talks on the province's political future would be re-started soon.

The better than expected performance of the Rev Ian Paisley's hard-line Democratic Unionist Party will only encourage him in his pledge not to resume negotiations until Ireland compromises on its terri-

Continued on Page 24
Northern Ireland election results, Page 6

Treasury public spending target under assault

By Philip Stephens,
Political Editor

SPENDING departments in Whitehall have ignored a firm Treasury instruction not to seek increased resources for next year and instead submitted bids for extra funds totalling several billion pounds.

The threat to the Treasury's public spending targets emerged as the prime minister's office sought yesterday to calm the political row which erupted this week over radical proposals to shrink the welfare state.

With Mr John Major anxious to direct attention to the latest batch of favourable economic indicators, his aides said that options thrown up by the Treasury's long-term spending review were unlikely to result in immediate decisions.

But the decision by virtually all the main departments – the exception is defence – to fight for additional resources in this summer's spending negotiations underlined the severity of the looming cabinet clash over Whitehall budgets.

There were renewed indications that some departments are determined to press for the extension into 1994 of a published current public sector pay limit.

The Treasury vigorously opposes maintaining the present 1.5 per cent pay ceiling, arguing for informal restraint. But several cabinet ministers – including those on the right wing of party – believe it will be impossible to hold the line on public sector wages without the formal ceiling.

The expected clashes have prompted Mr Michael Portillo, the chief secretary to the Treasury, to bring forward to mid-June the traditional cabinet discussion on spending priorities. Mr Portillo will have time to hold an intense round of discussions with his spending colleagues before the August holidays.

The chief secretary insisted this week that the government was determined to stick to the cash ceilings for Whitehall spending set last autumn for the financial years 1994/95 and 1995/96.

The ceilings for the two years – £253.6bn and £263.3bn respectively – were agreed by the cabinet last autumn and re-affirmed in Mr Norman Lamont's March Budget. They imply small cuts in overall expenditure once inflation has been taken into account.

In an attempt to hold the line earlier this year Mr Portillo asked colleagues to abandon the traditional practice of bidding for extra cash and to provide the Treasury with options for cuts of between 2.5 and 5 per cent.

But ministers said the home office and social security, health, education, environment, and transport departments – which account for more than three-quarters of all spending – have

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Centurion off-guard, Page 8

Cambodians set for poll

TROOPS stand guard at United Nations headquarters in Phnom Penh, capital of Cambodia, where the first democratic election of a new government for more than two decades starts tomorrow under UN auspices. Khmer Rouge guerrillas have threatened to kill Cambodians who vote. Report, Page 24

Clinton has reservations on UN safe havens in Bosnia

By Jurek Martin in Washington

PRESIDENT Bill Clinton expressed deep reservations yesterday about the latest Russian proposals to establish "safe havens" in Bosnia protected by a multinational peacekeeping force including US troops.

Speaking after a White House meeting with Mr Andrei Kozyrev, the Russian foreign minister, the president said the US was "sceptical that we'll be able to resolve this satisfactorily within the framework that has been proposed.

"I don't want to see the US get in a position where we're re-creating Northern Ireland, Lebanon or Cyprus or anything else," he said. He conceded "some potential down the road" for a peacekeeping operation, but added: "We don't want our people in there basically in a shooting gallery."

Mr Clinton's remarks appear to cast doubt on next week's planned UN Security Council deliberations on Bosnia, likely to discuss three new motions: the establishment of safe havens, the setting up of a war crimes tribunal and the stationing of monitors on the Bosnia-Serbia border.

The rump Yugoslavia yesterday refused to accept the deployment of about 500 inspectors to enforce a blockade on its borders with Bosnia. The rejection was sure to complicate even further efforts to forge a common strategy. Mr Clinton's negative comments stood in sharp contrast to those of Mr Kozyrev, who insisted after the White House session and two rounds of talks on Thursday with Mr Warren Christopher, secretary of state, that the US and Russia were "very, very close" to an agreement that could be presented to western European countries.

Mr Douglas Hurd, the UK foreign secretary, arrived in Washington for talks with Mr Christopher yesterday. He was expected to take exception to Mr Clinton's comparisons of Bosnia with Northern Ireland. Mr Alain Juppé, the French foreign minis-

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Austria Sch30; Bahrain Din1.250; Bermuda $1.65; Belgium BFr80; China Fec 13.0; Canada C$1.40; Croatia SLT220; Cyprus C£1.00; Czech Rep Kcs45; Denmark DKr15.00; Egypt E£4.50;Finland Fmk12; France FFr9.00; Germany DM3.30; Greece Dr300; Hong Kong HK$19; Hungary Ft172; Iceland IKR180; India Rup40;Indonesia Rp3,800; Israel NS5.90; Italy L2700; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.600;Lebanon $US1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.60; Morocco Dh13.00; Nigeria Naira45.00; Netherlands Fl3.75; Norway Nkr16.00; Oman OR1.50; Pakistan Rs35; Philippines Pso 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10; Slovak Rep KSL45; Slovenia HRD5,700; Spain Pta200; Sri Lanka Rup90; Sweden SKr15.00; Switzerland SFr3.20;Taiwan NT$85; Thailand Bht50; Tunisia Din1.250; Turkey L7000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

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Most CIS states to get own currencies

By John Lloyd in Moscow

MOST OF the former states of the Soviet Union are expected to introduce their own currencies in the next year, as a result of the International Monetary Fund's stance on linking its support to the control of inflation.

The IMF, now negotiating with Russia over a £1.5bn initial tranche of support, changed its position of encouraging the former Soviet states to remain in the rouble zone after it became clear that the Russian central bank's generous credits to industry and the budget would continue, and with it very high levels of inflation.

The reversal will place some pressure on the other states to leave the rouble zone to benefit from Fund, World Bank and bilateral support for a reform programme.

Its consequences have been highlighted this month by the introduction in Kyrgyzia, one of the smallest and poorest of the newly independent states, of its own currency, the som. The currency has $400m (£260m) backing from the IMF, the World Bank and the Japanese government - a relatively large sum for a small and poor country - to support its pegged rate of four som to the dollar.

Mr Tursunbek Chyngyshev, the Kyrgyz prime minister, said officials from other states had told him before the som was introduced that they supported his move and would all follow suit shortly. "They all believe it is inevitable and that Russia itself will soon make the decision to create its own currency."


Fyodorov: welcomed the som

Russia is still the banker for most of the 15 former Soviet states - though it is increasingly limiting the credits paid out to them and in some cases, as with Ukraine, has stopped issuing credits entirely. Mr Boris Fyodorov, the Russian finance minister, this week welcomed Kyrgyzia's adoption of the som as an example for others.

The rouble has been, since the beginning of this year, printed with "Bank of Russia" rather than "USSR". However, it is still available to all states, in both cash notes and so-called "cashless" credits through accounts between the central banks of the republics and of Russia.

IMF officials are making it clear to the republics that a decision to remain in the rouble zone is their own to make, but if they decided to remain they would be treated as an economic extension of Russia. If an agreement was reached between the Fund and Russia, these states could also hope to conclude one; if none was, they would probably be unable to conclude their own.

Besides the three Baltic states - which declared independence first and introduced currencies or coupons last year - only Ukraine has yet to conclude an agreement with the IMF, and its currency is closer to a coupon than to a fully-fledged money issue.

Turkmenistan, another Central Asian state, has said it will create its own currency in the autumn. Its economy, based on huge reserves of natural gas, is much stronger than Kyrgyzia's.

● Kazakhstan has only a few days to prevent crops in the south of the country from being devastated by locusts, but a government official said yesterday he was confident the threat would be eliminated. Reuter reports from Moscow.

Deputy agriculture minister Viktor Kosarev was quoted in the Kazakh capital Alma-Ata as saying more than half of the 300,000 hectares of pasture land infested with locust larvae had already been sprayed with chemicals in an operation using 14 aircraft and 200 tractors. The locusts would be destroyed this month.


Russian Moslems pray at the opening ceremony of a Moscow mosque, rebuilt after being destroyed by Stalin in 1937

Ukraine MPs back prime minister

By Chrystia Freeland in Kiev

UKRAINIAN legislators yesterday refused to accept Prime Minister Leonid Kuchma's resignation, offered on Thursday. It was a big political setback for President Leonid Kravchuk, who had tried to undermine him.

The unexpected surge of support for the reformist Mr Kuchma has resulted in a political stalemate which must be resolved in the coming weeks if Ukraine is to address its mounting economic problems.

Although the president lost his bid for extra powers, parliament also failed to give Mr Kuchma the expanded economic authority he requested at the beginning of the week.

On Thursday, Mr Kravchuk asked that the president should take the place of the prime minister as the head of the Ukrainian cabinet.

On Thursday, parliament appeared inclined to back Mr Kravchuk's proposal. Mr Kuchma has bluntly warned MPs that if he remains in office they can expect price increases and slashed government subsidies. That was a message the industrialists and collective farm chairmen who dominate the legislature appeared reluctant to accept.

By contrast, during his 18 months as president Mr Kravchuk has shied away from tough economic decisions and many MPs appeared to expect that with the president at the head of the government they would get a softer ride, at least in the short term.

The swing issue appeared to be Mr Kuchma's brief announcement of a telegram sent from Russia late on Thursday demanding world prices for its oil and gas. This would deliver a crushing blow to Ukraine's economy, traditionally dependent on subsidised energy from its northern neighbour.

In these circumstances, MPs overwhelming voted to reject Mr Kuchma's resignation. However, the fickle parliament's shift has not resolved the question of who is to steer the economy through what is likely to be a hot summer.

Pollution fund run by IADB may end Nafta conflict

By Stephen Fidler, Latin America Editor

A PROPOSAL to establish an environmental fund within the InterAmerican Development Bank to help tackle pollution problems on the Mexican border with the US is being examined by the two governments.

The suggestion, which comes from the IADB, is aimed at helping to defuse opposition by environmentalists to the North American Free Trade Agreement between the US, Canada and Mexico.

The Nafta agreement has to be ratified by the legislatures of all three countries, but is opposed by an important section of the US Congress. Side agreements to cover labour and environmental issues - meant to prevent companies shifting operations to Mexico to take advantage of lax enforcement of labour and environmental standards - are now being negotiated.

The trust fund would be supported by the three Nafta and set up with only a small amount of paid-in capital: a $10bn (£6.4bn) fund would require $250m to be paid in, with the rest callable. The cost to government budgets would be substantially reduced.

Once established, the fund could then borrow on international capital markets, with the guarantee of its three government shareholders, at relatively low interest rates. The fund would be administered by the Bank, which has experience in lending for environmental improvements throughout Latin America, and would lend to regional and municipal authorities and utilities in Mexico.

One idea gaining ground in Washington has been for the establishment of a North American Development Bank to fund environmental clean-up and help areas which suffer job losses apparently because of the agreement. However, such a bank would be expensive to establish and would take a long time to start operations.

On the other hand, other mechanisms would probably be required to cover problems in Canada or the US - such as job losses or clean-ups on the US side of the border with Mexico - since all the Bank's past experience has been in Latin America and the Caribbean. With the fund borrowing at market interest rates, it would be unable to provide concessional resources.

Senators rally behind Clinton

By George Graham in Washington

DEMOCRATIC senators yesterday closed ranks behind President Bill Clinton's budget plan, but Senator David Boren of Oklahoma, who earlier this week broke with the White House, remained adamant in his opposition to the energy tax which is a key component of the plan.

Even Democrats from oil-producing states, who share Mr Boren's hostility to the energy tax, rallied behind the administration's plan, criticising Mr Boren's alternative proposals for hurting the elderly.

"The breakaway group broke too far," said Senator John Breaux of Louisiana, who earlier in the week had been expected to join Mr Boren in his rebellion.

Senate Democratic leaders, however, held out the possibility of further concessions to help shield certain industries from the impact of the energy tax, which will be levied on the thermal content of fuels, and Mr Boren, too, opened the door to some form of energy tax.

Mr Boren's opposition is enough to block the Clinton budget bill from moving forward from the Senate finance committee, in which he holds a crucial swing vote.

He could also delay consideration of the Clinton budget plan in the House of Representatives, where opponents such as Mr Dave McCurdy, another Oklahoman, argue members will not be willing to swallow their reluctance to vote for the energy tax if they think it will be overturned in the Senate.

The Boren alternative, unveiled with the backing of Senator Bennett Johnston, another Democrat, and two Republicans, would eliminate the energy tax, which is expected to raise $71.5bn (£46.4bn) over five years, and replace it with caps on pension and health benefits for the elderly.

It stands no chance of passage, because it trips over Senate procedural rules that would require it to win 60 votes, not just a normal majority of 51; its backers, however, believe it could form the basis for a bipartisan compromise.

Italian government raises taxes and cuts spending to hold down deficit

Ciampi mini-budget aims for austerity

By Robert Graham in Rome

THE government of Mr Carlo Azeglio Ciampi yesterday unveiled a L12,500bn (£5.3bn) mini-budget raising taxes and cutting spending to hold down Italy's public sector deficit.

Most of the L5,950bn extra revenue will come from raising the tax on petrol (the heaviest increase affecting the "dirtier" fuels) and increasing the size of the end-of-year advance VAT payments required of companies.

Spending cuts will mainly affect central government transfers to local authorities, block hiring of new teachers (Italy has the highest number of teachers per capita in Europe) and involve a selective freeze on disbursements from the treasury's numerous special funds.

"This sort of action is certainly not popular; but it is unfortunately necessary," Mr Ciampi said after yesterday's cabinet meeting.

The former central bank governor, who assumed the premiership on April 26, added: "This is a correction during the course of the year because the deficit was moving away from the target."

The clear commitment by the Ciampi government to austerity, combined with encouraging signs of continued falling inflation and a fresh cut in the Bank of Italy's discount rate, boosted the lira.

Yesterday the Italian currency was trading close to L900 against the D-Mark, a strengthening of nearly L100 in a month.

In January the Amato government agreed with the EC as a condition of obtaining a Ecu8bn (£6.3bn) loan facility that Italy's 1993 deficit would be held below 11 per cent of GDP or around L150,000bn.

The new measures should ensure that the deficit is around L154,000 - providing the L7,000bn promised from privatisation materialises.

Officials estimated the petrol prices increases would add no more than 0.2 percentage points to inflation during the year. Yesterday, preliminary figures in the big cities for May indicated inflation was running at an annualised rate of 4 per cent - the lowest since 1969.

Although work on the mini-budget was begun by the previous government, the final shape was provided by the new economic team. This is still headed by Mr Piero Barucci, the treasury minister, but now includes Prof Luigi Spaventa, the budget minister, and Mr Franco Gallo in the Finance Ministry.

Yesterday Prof Spaventa said the primary deficit would be L37,500bn for the year. This small primary deficit underlines the extent to which servicing Italy's huge debt weighs on the budget.

But the cost of interest payments on the debt was eased this week by the cut in the discount rate to 10.5 per cent.

Falcone murder remembered across nation

By Robert Graham

ITALIAN authorities, for the first time, have decided to make the commemoration of a Mafia murder a national event.

Instructions have gone out to to all schools to observe a minute's silence today for Mr Giovanni Falcone, the leading anti-Mafia magistrate who was killed with his wife and their bodyguards on May 23 last year. The commemoration also covers Mr Paolo Borsellino, Mr Falcone's colleague, killed with his escort two months later.

In Palermo where both killings occurred, as well as throughout all big Italian cities, ceremonies and demonstrations are planned over the week-end to commemorate these two brutal killings.

Magistrates investigating the Falcone murder revealed this week that his highly secret movements were almost certainly betrayed to the Mafia from inside Italy's security services. Since last December, Mr Bruno Contrada, head of Mafia intelligence in Sisde, the domestic intelligence service, has been in custody on allegations of consorting with the Mafia.

Recent tests on cigarette butts - left by those who planted the huge explosive device which killed Mr Falcone as he drove into Palermo from the airport - show three people were involved. But no arrests have been made of those who carried out the bombing. In the case of the Borsellino killing, police have arrested a man for alleged involvement in placing the fatal car bomb. This week also saw the capture of Nitto Santapoala, the number two in the Sicilian Mafia who is believed to have been behind the killings.

Exxon in Nigeria deal

EXXON said yesterday its affiliate, Esso Exploration and Production Nigeria, had signed a production-sharing and exploratory rights agreement with Nigerian National Petroleum, Reuter reports from Irving, Texas.

The US oil giant said it has the right to explore and operate Block 209, a 500,000-acre tract 47 miles off the Nigerian coast. It planned to open an office in Nigeria.

On Tuesday Nigeria signed an oil exploration and production-sharing contract with the alliance between BP and Statoil of Norway.

It was the third agreement in a month with a foreign oil group to take all the risks in developing new fields since shortage of cash forced the government to stop taking majority stakes in exploration joint ventures.

Greece liberalises capital movement

By Kerin Hope in Athens

GREECE has loosened controls on medium-term capital movement to other European Community countries, making it easier for residents to borrow in foreign currency and buy securities abroad, writes Kerin Hope in Athens.

Under the new central bank directives, Greeks are no longer required to hold foreign securities for at least one year and are also allowed to invest abroad in derivatives for the first time.

Companies can borrow in foreign exchange without restriction, while all forward transactions in drachmas with a duration of more than three months are permitted.

The liberalisation will be extended to non-EC countries later this year, the Bank of Greece said.

The central bank has also transferred its responsibility for day-to-day monitoring of capital movements to the commercial banks, in an effort to reduce bureaucratic delay in handling foreign exchange transactions.

"Effectively, we have taken away 90 per cent of remaining exchange restrictions. The rest will be automatically lifted next July," a Bank of Greece official said.

Greece was allowed by its EC partners to maintain existing controls on capital movement for 18 months after the launch of the single market.

Steel industry changes may see stockholders sold

By Andrew Baxter

RESTRUCTURING Europe's recession-torn steel industry could have important knock-on effects as mills dispose of stockholding subsidiaries to concentrate their cash on steelmaking, according to a report.

The shake-out could produce some "interesting opportunities" for the financially stronger mills, since there are good reasons to integrate downstream into stockholding, says the study by London-based CRU International.

Almost all European mills have expanded into stockholding - many during the late 1980s, when profits from steel production were high.

British Steel also has stockholding interests in Germany, France, the Netherlands, Ireland, Spain and Norway. Usinor-Sacilor, meanwhile, has bought stockholders in nine European countries outside France where it is based.

Some mills have acquired stockholders to gain market share. But CRU says that the most compelling reason for integration between a steel mill and a stockholder is that it adds to the mill's processing capacity.

The capital spending needed for additional processing facilities could introduce a valuable barrier to entry into a business where barriers are now low, says CRU.

This could cause two types of stockholders to emerge. Larger companies, often owned by steel mills, will tend to specialise in the product range of their parent companies, and will increasingly focus on processing steel.

These companies may have better profit margins than the second category of general stockholders, which do little or no processing. But takeovers may be more frequent in this category, because asset values have been depressed by the recession or owners have come under financial pressure.

Steel Distribution in Western Europe. CRU International, 31 Mount Pleasant, London WC1X 0AD. £11,500.

Sweden may conclude EC negotiations this year

SWEDEN may be able to conclude its negotiations for membership of the European Community by the end of the year, Ms Anne Wibble, Swedish finance minister, said yesterday, Reuter reports from London.

"There are of course a number of important issues to discuss but neither we nor the Commission can see any serious problems," she said.

"The negotiations are now well under way and we hope to make substantial progress during the Belgian presidency, possibly even conclude the negotiations."

Belgium will hold the six-month rotating EC presidency for the second half of 1993.

Ms Wibble said the issues to be discussed included Sweden's financial contributions, regional and agricultural policy and trade relations with third countries.

Stockholm plans a referendum

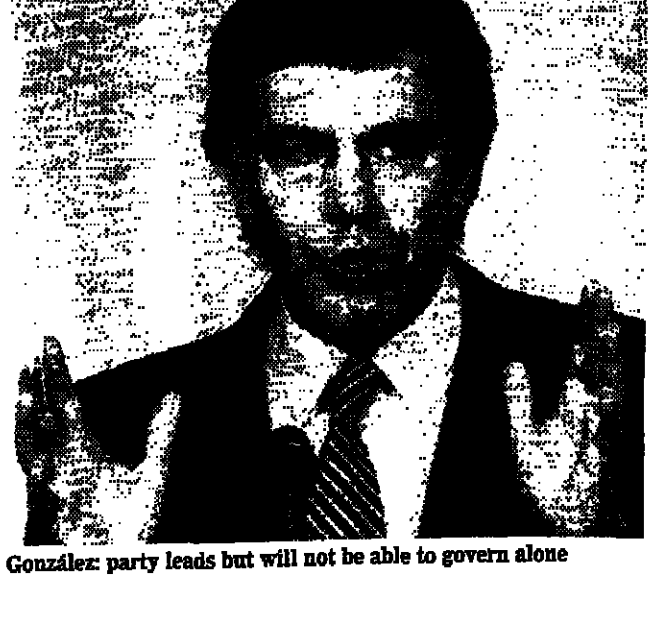
Negotiations are also taking place on EC membership for Sweden's Nordic neighbours, Finland and Norway. Sweden plans to hold a referendum on the question next year.

Ms Wibble said Sweden would plan to join the European single currency proposed in the Maastricht treaty on European union.

But she and Mr Thomas Franzen, the Swedish central bank deputy governor, said the Swedish crown, whose link with the European Currency Unit was severed during last year's upheaval in the European currency markets, would continue to float for now.

Mr Franzen said the crown's 17 per cent devaluation since the break was "excessive" and could lead to economic imbalance as exports grew while the home market stagnated.

"We must have a more balanced situation in our economy and a more stable international environment before we can return to a fixed exchange rate regime," he said.


González: party leads but will not be able to govern alone

Spanish Socialists put up a fight

By Peter Bruce in Madrid

A SHORT, sharp Spanish election campaign officially began yesterday, with two nationwide opinion polls showing the ruling Socialists of Mr Felipe González in the lead but well short of winning enough seats on June 6 to be able to govern on their own.

The polls, one in the Madrid daily newspaper Diario 16 and the another in the Catalan daily El Periodico, both seem to reflect a surge in Socialist support even after May 13, when the government was forced to devalue the peseta by 8 per cent and when it published official figures showing that 253,000 people had lost their jobs in the first three months of the year.

They would also confirm the feelings of a number of seasoned observers of Spanish politics that the main challenger, the conservative Partido Popular - whose leader, Mr José Maria Aznar, was effusively welcomed in Britain by Prime Minister John Major this week as "Spain's next prime minister" - has failed to capitalise on the government's economic misfortunes.

Diario 16 said its poll showed the Socialists winning 35 per cent of the vote to the PP's 33 per cent. El Periodico had the Socialists at 35 but the PP at 30.7 per cent, well down on most recent polls.

Further polls in the weekend press may continue to show the race to be much closer, however, although up to half the electorate remains undecided.

Voter turnout on June 6 is expected to be as high as 80 per cent and the uncertainty over the outcome is so intense that some polling organisations say that as many as 5 per cent of the electorate may not make up their minds about whom to vote for until they receive their ballot papers.

But while the Socialists appear to have made big gains at the expense of their opponents after the devaluation, the party has been made to appear incompetent in the principality of Asturias, which it governs. In an effort to capture votes, the regional government recently announced it had secured agreement from a foreign investor to build a $3bn (£1.9bn) oil refinery in the region.

But the Saudi International Bank, which the Asturians had announced was leading the project, has denied all knowledge of it. It seems that no-one in Asturias ever bothered to call the bank to check the credentials of a mystery middleman who conducted negotiations and who has now disappeared.

The Asturian Socialists are not saying whether they paid the man any commissions.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 6000 Frankfurt am Main 1, Germany. Telephone 49 69 156 850, Fax 4969-5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 6078 Neu-Isenburg 4 (owned by Hurriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

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NEWS: INTERNATIONAL

Pérez trips up over his own reforms

Joseph Mann on moves to impeach the Venezuelan leader on corruption charges

PRESIDENT Carlos Andrés Pérez of Venezuela, who yesterday faced a Senate vote to impeach him on allegations of corruption, is in part a victim of his own attempts to reform Venezuela.

In trying to change Venezuela's traditionally corrupt judicial system, he has encouraged the independence of the Supreme Court which on Thursday ruled that there was sufficient cause to try him for corruption.

Previously, a president could count on the highest court to support any government initiative, since most justices were closely linked to the ruling party. But Mr Pérez last year appointed five new justices who were political independents.

It was also the president who supported more independence for a central bank whose foreign exchange receipts provided evidence against him. He also openly encouraged political debate and tolerated vociferous opposition and calls for his resignation, eventually culminating in corruption charges.

The irony is that many of the trends Mr Pérez had tried to reverse in his second term of office – big government, state inefficiency and an arrogant political class – were those that he had set in train himself in his first administration during the oil boom in the 1970s.

In a televised address after the supreme court voted on Thursday on the charges of fraudulently managing $17m in government funds, the President's voice broke and he seemed ready to burst into tears. "I would have preferred a different death," he said.

The expected Senate vote against him would force him to stand down and be replaced by a former underling, Senator Octavio Lepage. Mr Pérez would have to answer criminal charges before the 15 members of the Supreme Court.

Mr Pérez's critics assert that charges sent to the Supreme Court by Attorney General Ramon Escovar Salom on March 11 show that Mr Perez and two former cabinet ministers, Mr Alejandro Izaguirre and Mr Reinaldo Figueredo Planchart, used $17m allotted for security and defence purposes for other ends.

The president and his supporters say that while administrative irregularities did occur in handling the money, there is no evidence of criminal action by Mr Pérez or his two former ministers. They consider the charges and subsequent actions acts of political vengeance against Mr Pérez by political foes he had collected in more than 50 years of politics. The attorney general's charges centre on documented evidence that money from a secret fund slated for security and defence purposes outside Venezuela were paid to the wrong ministry: the ministry of the presidential secretariat rather than to the ministry of the interior, which had original responsibilities for the funds.

A man waves a Venezuelan flag after the court decision to indict President Carlos Andrés Pérez

Mr Pérez has said he will not divulge how the money was spent since it involved confidential actitivities. He is only the latest in a line of presidents who had access to secret government funds and there has previously been no accounting of how these funds were used.

Another accusation made against Mr Pérez – although not in formal charges – was that he and associates used their knowledge that the government would soon eliminate multiple exchange rates to make a large foreign exchange gain in early 1989. The money – 250m Venezuelan Bolivars was converted at an exchange rate of 14.5 to the dollar to around $17m. When a few days later exchange controls were lifted, the Bolivar was devalued to more than 34 to the dollar.

Almost since he took office in February 1989, Mr Pérez has been highly unpopular. He immediately instituted a series of highly unpopular economic reforms, in keeping with an extended agreement with the International Monetary Fund.

His economic reforms, which lifted generalised food subsidies for example, created hardship for many poor Venezuelans and brought strong opposition early in his government.

These political and economic problems exploded in February 1992 when a group of army officers staged an attempted coup. The officers said they tried to topple the government in order to make Venezuelan democracy more responsibe to eliminate corruption and to rid the country of IMF-inspired reform measures.

The political situation worsened during 1992 and another attempted coup was staged in late November. Throughout all this, Mr Pérez came under increasing attack not only as the father of unpopular economic reform but also a representive of old, corrupt politics in Venezuela.

Mr Pérez admitted to numerous errors. In the end, the task of overhauling the country turned out to be too much. He could not complete economic or political reform, and was unable to carry through his plans to privatise government companies or to rebuild Venezuela's crumbling health, education and public safety systems.

In attempting to carry through the most important political and economic changes seen in its democratic history, he became a lightning rod for the grievances caused by the accumulated mistakes, corruption and abuses that have occurred in recent decades.

Outcry over life sentence for East Timor rebel leader

By Peter Wise in Lisbon

AN Indonesian court yesterday sentenced Mr Xanana Gusmao, the East Timor rebel leader, to life imprisonment, provoking international criticism.

Mr Gusmao, leader of the Fretilin movement which has been waging a guerrilla campaign for independence since 1975, was found guilty of separatism, rebellion and illegal possession of arms after a three-month trial.

Portuguese President Mario Soares described the sentence as "hard, violent and illegitimate".

Amnesty International, the human rights group, said Mr Gusmao had suffered a blatantly unfair trial in which he had been ordered to stop after reading two pages of his final 29-page defence plea because the judge said his remarks were "irrelevant".

Indonesia invaded and annexed the island territory of East Timor after the Portuguese colonial administration withdrew in 1975. Relief organisations believe up to 200,000 East Timorese have died from disease, starvation and in fighting. Indonesian sovereignty is not recognised by the United Nations.

International pressure over widespread allegations of human rights abuses in East Timor was stepped up after November 1991 when soldiers fired into a crowd of independence demonstrators. Witnesses said up to 180 people died. Indonesia accuses Mr Gusmao of backing the demonstration, which Jakarta says incited the troops to fire.

The life sentence was sought by the prosecution. Judge Hieronymus Godang told the court in Dili, capital of East Timor: "The reason the punishment is so heavy is that the defendant's actions disturbed stability in East Timor."

Mr Anibal Cavaco Silva, Portuguese prime minister, said the sentence served to undermine the dialogue between the Lisbon and Jakarta governments aimed at reaching an internationally acceptable solution for East Timor.

The countries' foreign ministers have been meeting under the auspices of Mr Boutros Boutros Ghali, United Nations secretary-general, to seek confidence-building measures to help reach a solution for East Timor. The next meeting is set for September in New York.

NEWS IN BRIEF

Portugal lowers its discount rate

THE BANK of Portugal, the central bank, yesterday lowered the central bank discount rate and its bond reference rate for the first time in five years, writes Peter Wise in Lisbon. The discount rate was brought down from 14.5 per cent to 13.5 per cent and the bond reference rate from 16 to 14.5 per cent.

The discount rate is a little used non-binding reference rate with little impact on the money markets. Today, the central bank's main intervention rates are its liquidity mop-up rate and liquidity injection rates, now at 13 and 13.75 per cent respectively. The bond reference rate is widely used in both private and public bond issues.

The bank has been encouraged by falling inflation: the year-on-year rate for April fell to 6.2 per cent, the lowest since 1973.

Cairo bomb kills three

A bomb exploded outside a police station in central Cairo yesterday, killing three people, including a 10-year-old girl, and injuring at least 13 others, Reuter reports from Cairo.

The explosion fits a pattern of violence by Moslem militants fighting to turn Egypt into a strict Islamic state. More than 120 people have been killed since March last year, by militant gunmen and bombers or in retaliatory raids by the security forces.

The blast was in an area near the headquarters of two daily newspapers and Cairo's main railway station but the street was quieter than usual as Friday is the Moslem weekend.

India's exports up 3.6%

India's exports grew by just 3.61 per cent to $18.4bn (£11.9bn) in the year to March, far short of the government's target of 15 per cent, according to figures published by the Commerce Ministry, writes Stefan Wagstyl in New Delhi.

The reformist government of Mr P.V. Narasimha Rao, the prime minister, sees export expansion as a key motor for India's economic growth. However, export growth was held back in the year to March by a slump in sales to the countries of the former Communist bloc and by inter-religious violence in Bombay and elsewhere. Imports in the year grew 12.05 per cent to $21.7bn, leaving an overall trade deficit of $3.3bn.

Stoiber to become Bavarian PM

After 10 days of negotiations, the leaders of Bavaria's Christian Social Union, junior partners in the Bonn coalition, decided yesterday that Mr Edmund Stoiber should become the new Bavarian prime minister, after Mr Max Streibl resigns in the summer, writes Quentin Peel.

The decision means that Mr Theo Waigel, the party leader, will remain finance minister in the Bonn government – although it was clear that he would have preferred to come home to Bavaria. Mr Stoiber, now interior minister in Munich, has emerged as the strong man in the CSU, but has agreed to step down from his post as deputy party leader as part of the compromise.

Zambian opposition arrests

Zambian authorities yesterday revoked detention orders against eight opposition figures, including a son of former President Kenneth Kaunda, but then arrested them again on new charges of sedition, Reuter reports from Lusaka.

Mr Kaunda's son Wezi, an MP for the main opposition United National Independence party, and two other men were granted bail and their cases were adjourned until June 21.

BUSINESSES FOR SALE

INVITATION TO TENDER FOR THE HIGHEST BID
for the Purchase of the groups of assets of "VOMVICRYL SOC.ANON. INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES"
of Athens Greece

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Str., Athens Greece, in its capacity as Liquidator of "VOMVICRYL SOC.ANON. INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES" a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/1991),

announces a call for tenders

for the highest bid by submission of sealed binding offers for the separate purchase by public auctions (the Auctions) of one or both of the following groups of assets of the Company.

BRIEF INFORMATION:
The company was established in 1973 and was in operation until 1990 when it was declared under liquidation. Its activities included the production, and trading of every type of fibres and textiles. The company is not in operation, neither is any personnel being employed.

GROUPS OF ASSETS OFFERED FOR SALE:
1. Plant in Avlaki Fthiotida (along Lamia-Volos National Road), consisting of buildings of 23,296 m², standing on a plot of 190,718 m² and containing machinery, mechanical equipment, furniture and other equipment. The company's registered name, etc. are also being offered for sale. (1st Auction),
2. Stock-in-trade consisting of approximately 141,000 kilos, of different quality and colour acrylic fibres. In this respect, there have been issued 20 "Privileged Company of General Warehouses of Greece" Certificates, pledged to the NATIONAL BANK OF GREECE S.A. (2nd Auction)

OFFERING MEMORANDUM - FURTHER INFORMATION:
Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon the submission and that the offeror shall give a personal guarantee in favour of such third party.
2. **Binding Offers:** Interested parties are hereby invited to submit binding offers, not later than the 14th June 1993, at 11.00 a.m. hours, to the Athens Notary Public Mrs. Anna Tsafara, address: 10-12, Ippokratous St., Athens. tel.:30-1-361.95.83, fax: +30-1-364.31.38
Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of not specifying a) the way of payment, or b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate in force (presently 37% yearly). Binding offers submitted later than the prescribed time limit, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. **Letters of Guarantee:** Binding offers must be accompanied by Letters of Guarantee, issued, in accordance with the draft Letter of Guarantee contained in the respective Offering Memoranda, by a bank legally operating in Greece, to remain valid until the adjudication. The amounts of the Letters of Guarantee must be as follows: (a) for the plant in Avlaki Fthiotida (1st Auction): drs. 350. 000,000. - (DRS.THREE HUNDRED AND FIFTY MILLION), (b) for the stock-in-trade (2nd Auction): Drs.10,000,000 (DRS. TEN MILLION)
Letters of Guarantee shall be returned after the adjudication. In event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letters of Guarantee shall be forfeited as a penalty.
4. **Submissions:** Binding offers together with the Letters of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed (successively as mentioned above, i.e. 1st Auction, 2nd Auction) by the above mentioned Notary Public in her office, on the 14th June 1993, at 14.00-hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant, whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

To obtain the Offering Memoranda and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1, Skouleniou Street, 105 61 Athens Greece, tel.: +30-1-323.14.84, fax:+30-1-321.79.05 (attention Mrs. Marika Frangaki).

INVITATION TO TENDER FOR THE HIGHEST BID
for the Purchase of the groups of assets of "VOMVIX, SILK INDUSTRY AND TRADE - P. SVOLOPOULOS & CHR. KOUTROUBIS S.A." of Athens

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Str., Athens Greece, in its capacity as Liquidator of "VOMVIX, SILK INDUSTRY AND TRADE - P. SVOLOPOULOS & CHR. KOUTROUBIS S.A." a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/1991).

announces a call for tenders

for the highest bid by submission of sealed binding offers for the separate purchase by public auctions (the Auctions) of one or more of the groups of assets of the Company, described below.

BRIEF INFORMATION:
The company was established in 1933 and was in operation until 1990 when it was declared under liquidation. Its activities included the production, processing, marketing and exportation of textiles and fibres.

GROUPS OF ASSETS OFFERED FOR SALE:
1. A cotton spinning and weaving mill in Avlaki (Fthiotida, Stylida) consisting of several buildings, of approximately 18,000 m², standing on a plot of 171, 450 m² and containing machinery, mechanical equipment, etc. (1st Auction)
2. A synthetic (nylon-polyester) and helanca fibres producing factory in Peristeri, Athens, consisting of a dyeing unit, a finishing unit and other buildings of approx. 40,000 m², standing on a plot of 34,041 m² and containing machinery, mechanical equipment, etc. The company's registered name is also offered for sale (2nd Auction)
3. A plot of 156,592 m² in Enofeta, Thebes. (3rd Auction)
4. A plot of 2,013 m² in Athens. (4th Auction), and,
5. Stock in-trade consisting of approximately 109,000 mt. of dyed fabrics, 225,000 mt. of off-white fabrics and 119,000 kgs of acrylic fibres. In addition, raw materials consisting of 8.000 kgs of nylon are also on sale. In respect of most of these goods, approximately 100 "Privileged Company of General Warehouses of Greece" Certificates have been issued, pledged to National Bank of Greece S.A. (5th Auction).
6. Six (6) plots with a total area of approximately 34,757 m² in the rural area of the Community of Avlaki, Fthiotida (Lamia), divided as follows: (a) 5, 404 m², (b) 9,322 m², (c) 6,239 m², (d) 5,935 m², (e) 4,200 m² and (f) 4,020 m². These are being offered for sale as one whole and not in part.
7. Plot consisting of 200 m² in Kifissou Avenue (opposite No. 136), in the area of Peristeri Local Authorities. Construction, however is not allowed thereon, according to City Planning Regulations.

OFFERING MEMORANDUM - FURTHER INFORMATION:
Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon the submission and that the offeror shall give a personal guarantee in favour of such third party.
2. **Binding Offers:** Interested parties are hereby invited to submit binding offers, not later than Monday 14th June 1993, at 11.00 a.m. hours, to the Athens Notary Public Mrs. Ioanna Gavrielli-Anagnostalaki, address: 18, Fidiou Str. Athens, tel: + 30-1-361.97.28, fax: +30-1-362.51.91.
Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of not specifying a) the way of payment , or b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate in force (presently 37% yearly). Binding offers submitted, later than the above time limit shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. **Letters of Guarantee:** Binding offers must be accompanied by Letters of Guarantee, issued, in accordance with the draft Letter of Guarantee contained in the respective Offering Memoranda, by a bank legally operating in Greece, to remain valid until the adjudication. The amounts of the Letters of Guarantee must be as follows: (a) for the cotton spinning and weaving mill in Avlaki, Fthiotida (1st Auction): Drs. 120,000,000 - (ONE HUNDRED AND TWENTY MILLION), (b) for the factory producing synthetic and helanca fibres in Peristeri, Athens (2nd Auction): Drs. 250.000.000. - (TWO HUNDRED AND FIFTY MILLION), (c) for the plot in Enofeta, Thebes (3rd Auction): Drs. 50.000.000. - (FIFTY MILLION), (d) for the plot in Athens (4th Auction): Drs. 20,000,000. - (TWENTY MILLION), (e) for the stock and raw materials (5th Auction): Drs. 30,000,000. - (THIRTY MILLION), (f) for the six plots (6th Auction): Drs. 3,000,000. - (THREE MILLION) and (g) for the plot in Kifissou Aven. (7th Auction): Drs. 2,000,000. - (TWO MILLION).
Letters of Guarantee shall be returned after the adjudication. In event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof , the Letters of Guarantee shall be forfeited as a penalty.
4. **Submissions:** Binding offers together with the Letters of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed (successively as mentioned above, i.e. 1st Auction, 2nd Auction) by the above mentioned Notary Public in her office, on the 14th June 1993, at 14.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant, whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in installments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

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Japanese trade surplus 'likely to decline'

By Michiyo Nakamoto

JAPAN'S Ministry of International Trade and Industry has responded to growing criticism of the country's massive trade surplus with a report which argues that it is likely to decline in the long run because of changes in Japanese society and corporate organisations.

In its annual white paper on trade submitted to the cabinet yesterday, Japanese trade officials rebut the argument that the country's trade surplus is a result of its closed markets.

The report strongly criticises results-oriented approaches to solving trade issues, which it says leads to protectionism, and calls for greater co-operation between countries to promote a multilateral approach to world trade.

The Japanese position on its trade surplus and proposals to deal with the problem through a multilateral, free-market approach comes as the Clinton administration has stepped up pressure on Japan to adopt a more "managed" approach in tackling its trade surplus.

The US has recently been showing impatience with its inability to reduce its trade deficit with Japan, which grew for the 28th consecutive month to $10.25bn (£6.6bn) from $7.11bn a year ago.

Miti's white paper argues that the common perception of Japan's trade surplus as being due to the closed nature of markets is mistaken. Its recent increase, according to Miti, is due to a number of factors unrelated to the openness of its markets, such as the appreciation of the yen and weaker oil prices, which make up for about half of the rise in the surplus since 1990.

At the same time, the recent rise of the surplus is due to the fall in imports resulting from the bursting of the Japanese economic bubble.

Miti also argues that Japanese competitiveness in certain industries is what lies behind Japan's surpluses in those specific sectors rather than the closed nature of these markets as claimed by some.

The ministry further questions the view that having a trade surplus is damaging to the world economy.

It says that in order to tackle the trade imbalance a re-evaluation of the nature and effect of trade surpluses and multilateral co-operation in promoting economic growth is needed.

HK anxious over China MFN decision

Simon Holberton on what the colony stands to lose if Beijing's trade privileges are curtailed

THE MOST interested bystander in the run-up to President Bill Clinton's decision on June 3 to renew or not to renew China's most favoured nation trading status is Hong Kong.

Hong Kong, which over the past decade has become China's most important international port, has much to lose if the US decides to curtail China's trading privileges.

China dominates the colony's burgeoning re-export trade. Last year Hong Kong re-exported to the rest of the world goods of Chinese origin with a value of HK$403.8bn (£33.9bn) (up 28 per cent on 1991) and re-exported to China goods with a value of HK$212bn (up 38 per cent).

This re-export trade – which in real terms earns the colony between HK$16 to HK$20 in every HK$100 of re-exports – has confirmed the colony's role as China's pre-eminent entrepôt. But the enmeshing of the two economies has made Hong Kong vulnerable to actions taken against China.

The Hong Kong government reckons that in the worst case – the removal of China's MFN status – Hong Kong's growth rate could halve from about 6 per cent to 3 per cent and up to 70,000 workers lose their jobs.

The impact on southern China, principally Guangdong, has not been the subject of economists' estimates. It is, however, a fair bet that in the worst case many of the 3m who are employed in Hong Kong-owned factories there would suffer the same fate as their Hong Kong compatriots.

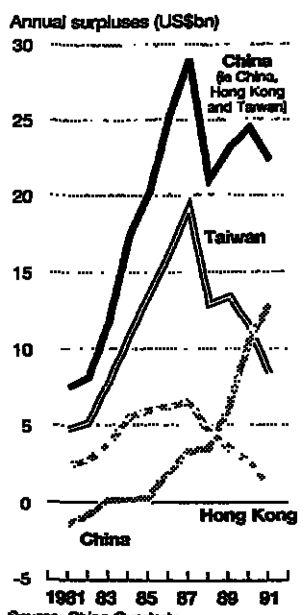
One Hong Kong manufacturer of toys and electronic games in southern China has told the local authorities that half its 3,000-member work force will be shed if China loses its MFN status. "We will immediately set up a factory in Macao if China loses MFN," a senior executive said.

Other observers in the colony, mostly academic economists, greet the annual MFN renewal process with a degree of puzzlement. They point out that by imposing conditions on China's MFN status, the US will be harming the process that it has most applauded in the past, the growth of a capitalist market in China.

They also observe that the US is trying to have it both ways. *On the one hand it* applauds the migration of Hong Kong and Taiwanese businesses to the mainland, and the "subversive" impact that may have on the regime's control of China, but on the other hand by seeking to make MFN conditional it undermines that business migration.

Others, like Professor Y Y Kueh, of Lingnan College in Hong Kong, point to the effects this business migration has had on the bilateral trade balances of Hong Kong, Taiwan, and China with the US. From this perspective it is possible to argue that the motivating force behind China's trade surplus with the US is not China as such, but the transplanted factories of Hong Kong and Taiwanese companies.

China trade with US



Source: China Quarterly

Sir Robin McLaren, the British ambassador to China, talks to the press in Beijing after meeting Jiang Enzhu, the Chinese vice foreign minister about Hong Kong. He gave no details of the talks

The links between investment and trade are well known and for Professor Kueh it is no coincidence that the trade surpluses of Hong Kong and Taiwan with the US fell off sharply at the same time as China's trade surplus with the US began to take off. "The downturn in the Hong Kong and Taiwan trade surpluses with the US are the mirror images of the upturn in the mainland's surplus with the US," he said.

Whether the recognition of this will have much impact in Washington remains to be seen. Yet curiously the prospect that President Clinton may attach conditions to China's renewal of MFN – or threaten tough conditions in a year's time if improvements in human rights, arms sales and trading practices are not made – has failed to stir the colony as much as it has in the past.

This is best seen in the behaviour of the local bourse which rises ever higher on larger and larger volumes of transactions. This time last year and indeed since 1990, when a Republican president was in the White House and showed little interest in MFN conditionality, the annual ritual of MFN renewal always had the power to undermine investor confidence.

What has changed this time is that Hong Kong has seen the likely list of conditions Mr Clinton might apply and concluded that the colony, and probably China, can live with them. Mr Paul Cheng, chairman of Hong Kong's General Chamber of Commerce and the head of Inchcape, the UK trading house, says: "I am cautiously optimistic."

Mr Chris Patten, the colony's governor, is also confident that he was able to convince the US administration and Congress not to make Hong Kong's political development a condition of renewal, if conditions are placed on MFN. He also points out that for the US to enforce the sanction most touted – that higher tariffs be applied to goods from China's state-owned sector – would be virtually impossible.

But in the end is also the view that annual MFN renewal process is the best stick with which the US has to influence policy in China. According to Mr Enzio von Pfeil, economist with Warburg Securities: "At the end of the day I do not think the Americans want to remove China's MFN. If they do they will have lost their stick."

Hopes raised by Japanese money growth

By Robert Thomson in Tokyo

MONEY SUPPLY in Japan expanded 0.6 per cent in April, following a revised contraction of 0.4 per cent in March, prompting the Bank of Japan to suggest that signs of economic recovery are emerging.

Bank officials said the preliminary year-on-year expansion in M2 plus certificates of deposit reflected the effects of two stimulatory packages announced in recent months by the government, which has pumped extra funds into public works. Money supply has contracted in six of the past seven months, but the bank argues that firm growth will be seen this quarter, partly because of the government packages, but also because lower interest rates have encouraged economic activity.

The bank said the broadest measure, which includes postal and agricultural institution savings, grew 2.5 per cent in April, up from a revised 2.0 per cent in March, as money continued to flow into the postal savings system. The preliminary expansion in March had been 2.3 per cent.

But bank officials are concerned that consumer demand remains weak and that two-thirds of Japanese companies have announced profit falls during the present profit season, the third year of decline, with many forecasting a fourth year of decline and a reduction in capital spending.

● Japan's Securities and Exchange Surveillance Commission yesterday asked for indictment of a property company executive and a former finance company manager for alleged stock price manipulation. Mr Makoto Araya, president of Teishin Fudo, and Mr Hiroshi Kimura, a former managing director at Sumitomo Fudosan Finance, are alleged to have unlawfully ramped Nihon Unisys stock.

EC ministers focus on growth prospects

By Lionel Barber in Kolding, Denmark

EC FINANCE ministers last night opened a two-day informal meeting expected to focus on prospects for growth to tackle Europe's unemployment problem and tensions within the European exchange rate mechanism.

The Danish presidency of the EC is hoping the tax cuts unveiled after this week's successful referendum on Maastricht will galvanise other member states to follow suit. The aim is to create momentum for an EC growth package ahead of next month's summit in Copenhagen.

Ministers will also discuss a report on last September's ERM crisis which led to the withdrawal of the British pound and the Italian lira. But the report, by the EC's monetary committee of senior treasury officials and central bankers, does not recommend substantial changes.

The UK declared this week it would not rejoin the ERM in the near future and stuck to its argument that there are fundamental "fault-lines" in the system which act to the detriment of weaker currencies. Yet EC and British officials say the UK has not put forward proposals to change operation of the ERM, mainly because it does not wish to offend France and Germany.

Mr Philippe Maystadt, Belgian finance minister, is likely to be questioned about his call for revision of "convergence criteria" for monetary union if recession continues.

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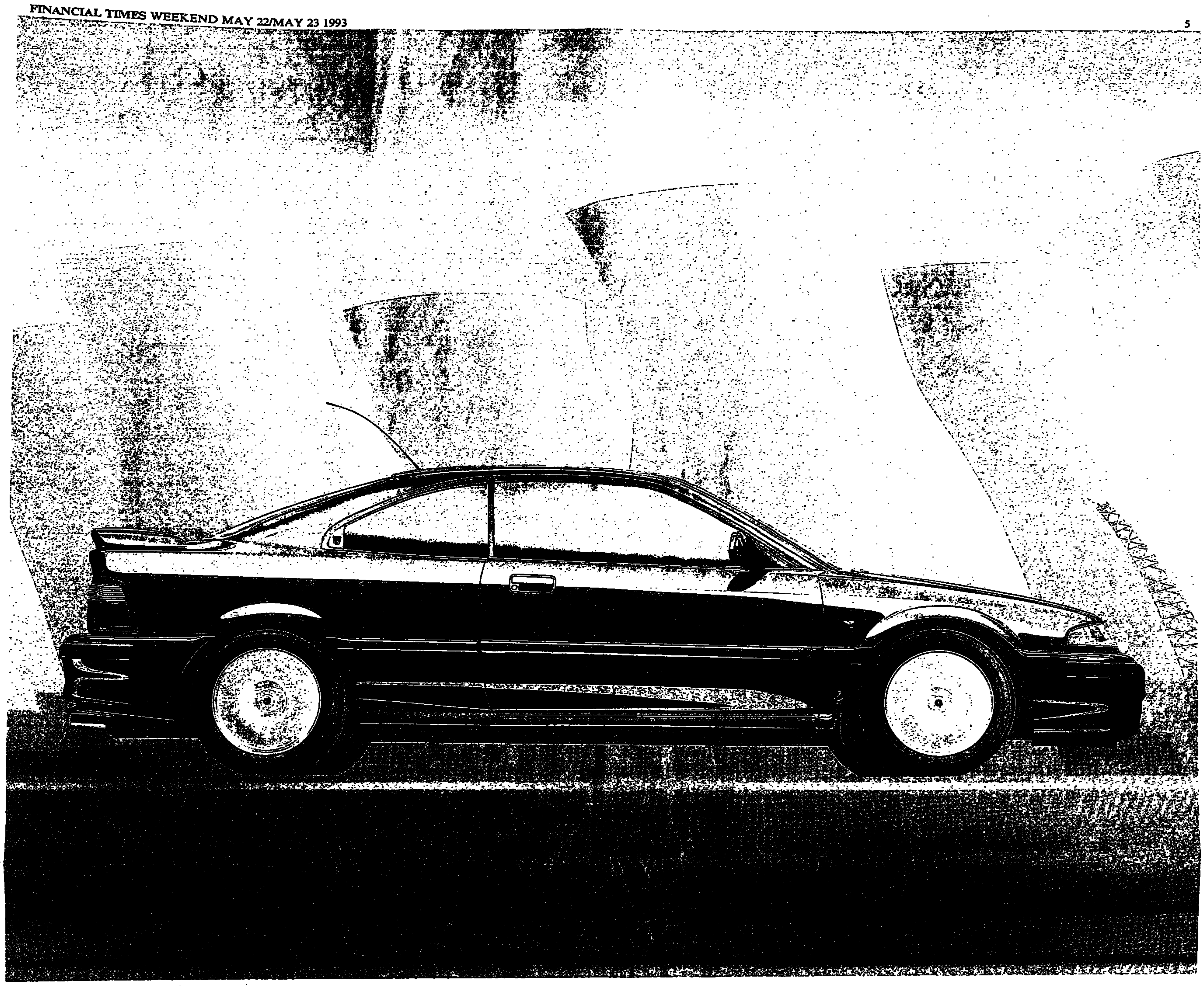

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Sinn Fein makes big gains in Ulster poll

By *Tim Coone in Dublin*

EXPECTATIONS of an early resumption of the round-table talks on Northern Ireland appeared to fade last night as the final results for the province's local elections showed that Sinn Fein and the Democratic Unionist Party had reversed their electoral decline.

In Belfast Sinn Fein emerged with 23.2 per cent, the biggest share of the vote for any party, outpolling even the Ulster Unionist Party.

Mr Gerry Adams, the Sinn Fein president, said the result "has dramatically renovated Sinn Fein's mandate".

Across the province the Sinn Fein vote increased by 1.5 percentage points to 12.5 per cent, winning it 51 council seats out of the 582 total.

The Ulster Unionist party, the largest party in Northern Ireland, saw its support slip by five points to 29 per cent, although it increased the number of seats it holds from 193 to 197.

Mr Herbert Ditty, the hard-line unionist Lord Mayor of Belfast, lost his seat to Mr Chris McGimpsey, an independent unionist, but control of the council remains in Unionist hands by a slim majority. Mr Ken Maginnis, deputy leader of the UUP, lost his seat in Dungannon, while the nationalist SDLP consolidated its hold on Derry council, winning an absolute majority of 17 seats.

The turnout across the province was 55 per cent – the overall nationalist vote apparently rose, alongside a fall in unionist participation. The main loser has been the Conservative party, which saw most of its gains in the 1989 local elections wiped out.

The Conservatives won only six seats, against more than 10 last time, with support apparently drifting back to the centrist Alliance party.

The Alliance vote increased by 1 point to 7.7 per cent, but its support appears increasingly concentrated in the middle-class areas of the east and south-east of the province.

Mr Brian Feeney, a spokesman for the SDLP, said the vote for the political extremes had hardened in those areas which have suffered the most political violence over the past year, while the vote for the more moderate SDLP, UUP and Alliance parties had held up or improved where there was greater stability. He said the Belfast result "will have knocked a lot of people back on their heels".

Mr Addie Morrow, until recently the chairman of the Alliance party, said: "I believe the result is very bad for the future of Northern Ireland. The electorate has given no encouragement for the parties to get together and negotiate."

Mr Richard McCaulay, the spokesman for Sinn Fein, whose party has been excluded from talks because of its support for the IRA, said future political talks "are almost certain to fail unless a process is developed which excludes *no-one*".

The DUP described its result as "a left hook" to efforts by Sir Patrick Mayhew, the Northern Ireland Secretary, to get talks going again. Mr Peter Robinson, the DUP deputy leader said: "If Sir Patrick Mayhew cannot read the message of this election then he needs glasses." The DUP "is not interested in the talks on the basis of the blueprint that [Sir Patrick] has offered".

Results: UUP 197 seats; DUP 103; SDLP 127; Sinn Fein 51; Alliance 44; Conservatives 6; Independents 51.

BCCI auditor probe halted

THE HIGH COURT yesterday granted Price Waterhouse, the accountancy firm, the chance to delay an investigation into its role as auditor to the collapsed Bank of Credit and Commerce International by the profession's highest disciplinary body. **Andrew Jack writes.**

Mr Justice Tuckey granted the firm leave for judicial review at a two-day hearing in July to determine whether it could stall an inquiry by the Joint Disciplinary Scheme of three of the UK's leading accountancy bodies.

The JDS maintains that it has a duty in the public interest to examine the role of the firm in the circumstances surrounding the collapse of BCCI.

But Price Waterhouse said any proceedings from the inquiry would be subject to discovery and could prejudice the outcome of writs against the firm by the liquidators to BCCI for more than $8bn.

Health authority cuts 250 staff

REDUNDANCY notices were yesterday handed to 250 workers at West Midlands Health Authority after a directive from Mrs Virginia Bottomley, the health secretary.

Notices were given to staff including the acting managing director and personnel director following the order that authorities across the country should employ no more than 200 administrative staff.

SIB acts on Melton Medes

The Securities and Investments Board yesterday launched a High Court action to recover money from Melton Medes, the mini-conglomerate, and two of its senior executives following an alleged breach of IMRO rules.

The writ issued by SIB names Mr Nathu Ram Puri, the Melton Medes chairman, and Mr James Edward Philpotts, the company's chief executive, as individual defendants.

Three companies also named as defendants are Melton Medes Pension Trustees Ltd, Melton Medes Ltd and M.M. Nominees Ltd.

The court action follows an IMRO inquiry into pension funds controlled by Melton Medes, which ended in July last year when the case was passed up to the SIB.

New Oxleas plan

A NEW PLAN to save the ancient Oxleas Wood in south-east London was put forward yesterday by the British Road Federation, the road user lobby group.

The plan, the latest in the long-running saga to preserve the 8,000-year old wood, proposes linking the East London River Crossing with the A2016 at Thamesmead south of the river rather than with the A2 at Falconwood. The move follows an action plan by Labour to halt the planned construction of a four-lane motorway through the wood.

Liquidations rise

VOLUNTARY company liquidations in England and Wales rose to 3,454 in the first quarter of the year compared with 3,416 in the same period last year, KMPG Peat Marwick said. A KMPG survey showed nearly 60 per cent of creditors' voluntary liquidations in the quarter were in south-east England, reflecting how the recession had hit the service sector.

Natfhe defiant

NATFHE, the union for further education college lecturers, yesterday defied employers by instructing its members to refuse to mark registers.

Decision attacked as premature

Swan Hunter receiver says 420 jobs to go

By *Chris Tighe*

FOUR HUNDRED and twenty jobs are to go from Tyneside shipbuilder Swan Hunter, receivers Price Waterhouse confirmed yesterday.

The cuts, described by union leaders as a devasting blow, are mainly among steelworkers and technical staff. The 420 planned redundancies comprise 212 blue-collar workers, 134 white-collar workers and 74 short-term contract workers.

Mr Ed James, one of the receivers, said the redundancies were necessary to bring employment levels into balance with the company's current workload, while retaining technical expertise as the search continued for a buyer for the business as a going concern.

Labour MP Mr Steve Byers, in whose Wallsend constituency the company is headquartered, attacked the decision to shed jobs from the 2,200 workforce as premature.

Union leaders, who were told further jobs would be at risk in the near future if Swans did not win an Oman order it has tendered for, expressed concern that cutting 89 technical jobs, one third of the total, could handicap attempts to clinch new contracts – a view rejected by Price Waterhouse.

The job losses take effect next Friday, the last date the Ministry of Defence has agreed for outfitting work to continue at Swans on three Type 23 frigates, its main workload. Finishing the vessels, providing work until late 1994, offers Swans the best chance of finding a buyer as a going concern. Talks between Price Waterhouse and the ministry are continuing.

Yesterday HMS Westminster left the Tyne for sea trials, postponed when Swans went into receivership last Thursday after its failure to win a helicopter carrier order. Price Waterhouse denied Mr Byers's claim that the Westminster might not return to the Tyne next week for completion.

Mr Byers also said that the ministry on Thursday invited Vosper Thornycroft of Southampton to submit a price for completing work on the frigates. The ministry said it could not comment. Mr Martin Jay, Vosper's managing director, said the ministry had issued no such statement. The company refused to comment further.

Mr Jay said his company, which has a £700m order book reaching to 1997, had "plenty of spare capacity".

A.V. Seawork, a wholly-owned Vosper subsidiary, advertised in Tyneside's Evening Chronicle on Thursday for experienced ship design engineers. Interviews will be held at a Wallsend hotel on Tuesday. Mr Jay said they were needed for the company's existing workload.

The Tyne and Wear Development Corporation announced yesterday it was providing, with the Tyneside Training and Enterprise Council, up to £100,000 to study the merchant shipbuilding market and help Price Waterhouse evaluate bids.

Tomorrow in Carlisle shop stewards from all UK shipyards will be asked to back a motion urging workers at other yards to refuse to work on the frigates.

Clearing out: Swan Hunter receivers yesterday said 420 jobs will go as it tries to find a buyer

New watchdog's prospects lifted by compromise

By *Norma Cohen, Investments Correspondent*

PROSPECTS for the creation of the Personal Investment Authority, the proposed new self-regulatory body for financial services, have been boosted by a compromise proposal on membership rules intended to encourage banks, building societies and independent sales agents to join.

The proposal from Sir Brian Jenkins, a senior partner at Coopers & Lybrand, the accountancy firm, and a former Lord Mayor of London, involves moderating the controversial proposal by the Securities and Investments Board that independent financial advisers be required to have minimum capital of £10,000.

Sir Brian has proposed that only those who, after submitting a three-year business plan, cannot demonstrate solvency will have to present an enforceable guarantee that up to £10,000 could be put into the business.

The solvency test will have to be met if their gross revenues fall by 25 per cent, or if a single source providing more than 10 per cent of their business is lost.

Bankers, who had been particularly keen to see minimum capital rules, privately said they did not believe the compromise would weaken regulatory standards.

One bank official said: "If this report is adopted in its present form it will go a long way towards encouraging at least some of the big banks to join the PIA."

So far both Barclays Bank and National Westminster Bank have said they would join the PIA provided it raised regulatory standards along the lines suggested late last year by SIB chairman Mr Andrew Large.

The PIA had asked Sir Brian to review the SIB proposals, intended to make the PIA a tougher regulator than the existing self-regulatory bodies.

The PIA is intended to replace Lautro, the self-regulatory body for the life insurance industry, and Fimbra, the body for independent financial advisers.

Life insurers have said they will not join unless the banks and building societies which sell financial services join as well. Most of those are regulated directly by SIB.

Sir Brian endorsed SIB's proposal that all those joining the PIA be vetted before admission, even if they had previously been members in good standing of another self-regulatory body.

He urged, however, that as far as possible, those vetting new members should rely on information already on file at other self-regulatory bodies.

The proposals are also expected to be largely welcomed by large independant financial adviser IFA firms which already exceed the minimum requirements spelled out in the paper.

Mr John Bridle, chief executive at Towry Law, a large chain of IFAs, said: "One needs to do something so the industry as a whole can demonstrate it is committed to raising standards."

The optimism surrounding Sir Brian's proposals will come as a relief to the PIA's formation committee. Only a few months ago few in the City believed that the regulators' efforts to create the new body were likely to succeed.

Broad Left wins in BT union poll

By *Robert Taylor, Labour Correspondent*

GROWING unrest among workers over changes in working practices and job cuts at BT have led to an unexpectedly victory by the broad left in this year's executive committee elections in the 125,000-strong National Communications Union.

The success of the left may threaten the union's policy of co-operation with BT over its plans to cut 15,000 jobs this year with a further 15,000 due to go in 1994.

The election has left a group of leftwing Labour party members and members far left groups holding 20 of the 35 executive seats. The rightwing Members First organisation suffered a loss of 10 seats, being reduced to only three places with the clerical group holding the other 12 executive places. One NCU official said the main reason for the sweeping victory by the broad left was the threat of compulsory seven-day shift working and extension of the existing working day under BT's customer improvement programme.

Mr Tony Young, the NCU's moderate general secretary, said yesterday there were "no viable options" to the NCU's current strategy towards BT. He added that any refusal by the union to work with BT would be "unwise" and ensure it exercised "less influence" in the company.

The change in the executive's balance of power could also lead to a shift in its policy to the rejection of one member one vote for the selection of Labour party parliamentary candidates. This would be a setback to the chances of Mr John Smith, the Labour leader, winning a vote on the issue at the autumn party conference.

Way opened for BR bill changes

By *Richard Tomkins, Transport Correspondent*

THE GOVERNMENT yesterday rejected calls from a Commons select committee for changes to its rail privatisation plans but appeared to leave open the possibility of last-minute amendments to the Railways Bill, to be debated in the Commons next week.

The cross-party transport committee last month published the results of a four-month investigation into the government's plans and called for a series of changes, warning that privatisation could otherwise go badly wrong.

Several of its criticisms focused on the idea of open access to the tracks for competing passenger-train operators and the separation of ownership of the tracks and trains. The committee also warned that budgetary constraints could lead to line closures.

The government response rejects fundamental changes to the structure of privatisation. It says: "As the report itself recognises, the grain of current trends in Europe and elsewhere is away from unitary railway undertakings and towards greater freedom of access."

The government also says, however, that it has been considering the issues addressed by the report and will continue to do so as the Railways Bill passes through parliament. "It will consider whether amendments are necessary," it says.

This statement may give encouragement to rebel Conservative backbenchers seeking changes to the Railways Bill at report stage in the Commons on Monday and Tuesday.

The rebels want clauses added to the bill which would preserve discounted railcard schemes and give British Rail the right to bid for franchises. The government is hoping to persuade them not to force an embarrassing turnabout.

Men who fled with Nadir sought

By *Gillian Tett and Jimmy Burns*

DETECTIVES FROM the Serious Fraud Office want to question two UK businessmen, Mr Peter Dimond and Mr David Hamilton, who are living in northern Cyprus after flying there with Mr Asil Nadir.

Mr Dimond, a former aircraft dealer, this week described how he helped Mr Nadir jump his £3m bail by flying out from Compton Abbas in Dorset to Beauvais in France, where they were met by a Cessna Citation jet which flew them to northern Cyprus.

Mr Hamilton has been identified as having at least a part interest in the US-registered Cessna Citation. Mr Dimond and Mr Hamilton were on the plane with Mr Nadir when it landed in Kyrenia on May 4.

Mr Michael Hamlin, owner of Hamlin Jets, which manages the Citation, yesterday said Mr Hamilton had been a "co-owner" of the plane for three years. He confirmed Mr Hamilton had been on board when the plane left Hatfield.

He said that two other passengers, Mr Timothy Lambon, a Zimbabwean, and Mr Anthony Sawyer had also been on board. The SFO also wants to question them.

Mr Hamlin said yesterday the jet had not flown directly from Hatfield to Beauvais, as originally thought, but had spent a night in Dinard, France. He said he had been unaware of the purpose of the flight.

Mr Dimond, said in Cyprus yesterday he had no intention of returning to England to face police questioning. "If you were in my shoes would you go back?" he said. "The police can come here and question me here. There is nothing to stop me talking to them. But they know they can do nothing."

Asked about possible extradition, he said that so far the Turkish Cypriot authorities had left him alone, adding he did not know the status of his stay on the island.

Foreign Office officials indicated that efforts to secure Turkey's help in having Mr Nadir and British citizens linked to his escape brought back to the UK remained deadlocked. The growing frustration felt by British officials was summed up by a senior detective last night: "We are sitting at the borders, champing and nashing our teeth, but there is very little we can do."

Police hope Mr Dimond will eventually return to England voluntarily to rejoin his wife and family in his Hampshire home. Under UK law anyone who helps a financial fugitive to jump bail faces a potential prison term of up to five years.

Although Mr Dimond said he was in contact with Mr Hamilton in northern Cyprus, he added he had not had any dealings with him before his arrival on the island.

MR ASIL Nadir, the fugitive Cypriot businessman, has successfully intervened in the Turkish courts to prevent the sale of Gunaydin, the Istanbul newspaper, in his latest move to regain control of his Turkish assets.

On Thursday an Istanbul court postponed the sale by the official receivers of Gunaydin, pending settlement of dispute over ownership of the newspaper's title.

The former Polly Peck chairman, who jumped bail in the UK earlier this month and fled to northern Cyprus, has said he will fight to regain his assets in Turkey.

Gunaydin's staff, owed more than TL60bn by Mr Nadir, created a new company called Yeni Gunaydin last year, printing on machinery auctioned by the state receivers.

Imar bank, the newspaper's creditors, unsuccessfully challenged the move in the courts.

This week Mr Osman Adas, acting for Mr Nadir, claimed the Gunaydin title was vested in Veb Holding, a private company, which according to Turkish Treasury records is 100 per cent owned by Mr Nadir.

Mr Nadir's action has blocked the sale of Gunaydin to Mr Mustafa Suzer, a businessman of Kurdish origin and owner of the Pera Palas Hotel, immortalised by the writer Agatha Christie.

National Mutual offshoot is fined £45,000 by Lautro

By *Norma Cohen*

NM FINANCIAL Management, the UK life insurance division of Australia-based National Mutual, has been fined £45,000 by regulators for failing to vet its sales staff properly and for failing to insure that "best advice" was given to clients.

NMFM will also have to pay the costs of the investigation and pay compensation to investors who have been sold unsuitable products.

Lautro, the self-regulatory body for the life insurance industry, said yesterday that its compliance staff initially uncovered deficiencies in NMFM's procedures for vetting sales staff during a visit in December 1990.

In May last year Lautro conducted a further visit and found there were still deficiencies and that moreover, there was insufficient information in company files for regulators to see whether best advice had been given.

Under Lautro rules sales agents must conduct a "fact-find" on each prospective customer to discover his financial position, needs and goals. Without this information sales agents cannot properly advise a client about the product most appropriate to his needs.

This may lead to mis-selling of unsuitable products which are likely to be cancelled by clients in the first few years, leading to a loss of most of the premiums paid.

NMFM said that since that visit it had improved its vetting procedures and had reviewed policies sold to customers where insufficient fact-finds were recorded. It said that compensation required to be paid in only one case.

Deception causes Sumitomo loss

By *Tracy Corrigan*

SUMITOMO Finance International, the London-based arm of the Sumitomo Bank, suffered losses of $2m to $3m on its interest rate options book last autumn, after an employee concealed his true trading position from senior management.

The losses were linked to the partial breakdown of the Exchange Rate Mechanism, which overturned the assumptions about volatility and market correlation on which options prices are based, making the market extremely difficult to trade.

A number of houses suffered losses but at Sumitomo Finance, the manager of the interest rate options desk falsified prices in order to foil the management's control procedures. Unchecked, the losses mushroomed.

The full affair came to light yesterday, when the Securities and Futures Authority, the UK regulator, expelled Mr Zahid Mannan, the manager in question, from its registers. This in effect bars him for life from the business in the UK. There was no suggestion that Mr Mannan was seeking to profit personally.

Mr Mannan was also fined £10,000 and ordered to make a contribution of £4,000 towards the SFA's investigation costs.

As manager of the interest rate options desk Mr Mannan had to record the value of his positions in management reports submitted to his chief executive.

He gave falsely inflated values in order to hide his true position. Mr Mannan then persuaded an employee with another firm, which he knew was used by Sumitomo's accounts department to check those valuations, to quote inflated prices that corresponded with those in his own internal management reports.

This arrangement was brought to light while Mr Mannan was on holiday and the subsequent investigation showed that his actions had resulted in Sumitomo's qualifying capital being overstated in the preceding months, the SFA said. The amount of capital held by firms is adjusted according to their exposure.

Sumitomo Finance declined to comment.

Among a number of serious "hits" as a result of options trading is Allied-Lyons, the UK food and drinks group, which lost £150m in 1991 on foreign exchange positions taken without the knowledge of senior management.

The Sumitomo losses, while much less severe, underline the problems involved in managing the risk generated by derivatives business.

Hospital reviews to unleash fresh anger

By Alan Pike,
Social Affairs Correspondent

RENEWED CAMPAIGNING over the future of London's hospitals is about to erupt with the completion of reviews of the allocation of specialist services in the capital.

The six reviews – set up by Mrs Virginia Bottomley, health secretary, after the Tomlinson report into London healthcare – will recommend widespread closures of specialist services and the transfer of facilities to areas of population growth outside London.

An unexpected consequence of the reviews is that they could undermine the financial stability of successful hospitals identified for survival in the Tomlinson report. St Mary's, Paddington – one of the capital's most financially viable teaching hospitals – stands to lose 10 per cent of its annual income if the government accepts a recommendation that its cardiac surgery and renal transplant facilities close.

Mrs Bottomley will receive the final recommendations of the review teams – which have examined the provision of cancer, renal, neurosciences, plastic surgery and burns, cardiac and children's services – next week. But confidential briefings of the review teams' overall thinking, given this week to senior managers and medical school academics, indicate there will be radical restructuring of specialist services around fewer, bigger units.

The inquiry concluded that the 14 inner London hospitals providing specialist cardiac services should be reduced to five, with a new cardiac centre located at Brighton. A similar reduction in neurosciences services is proposed, with some of the capital's surplus specialist capacity transferring to Guildford.

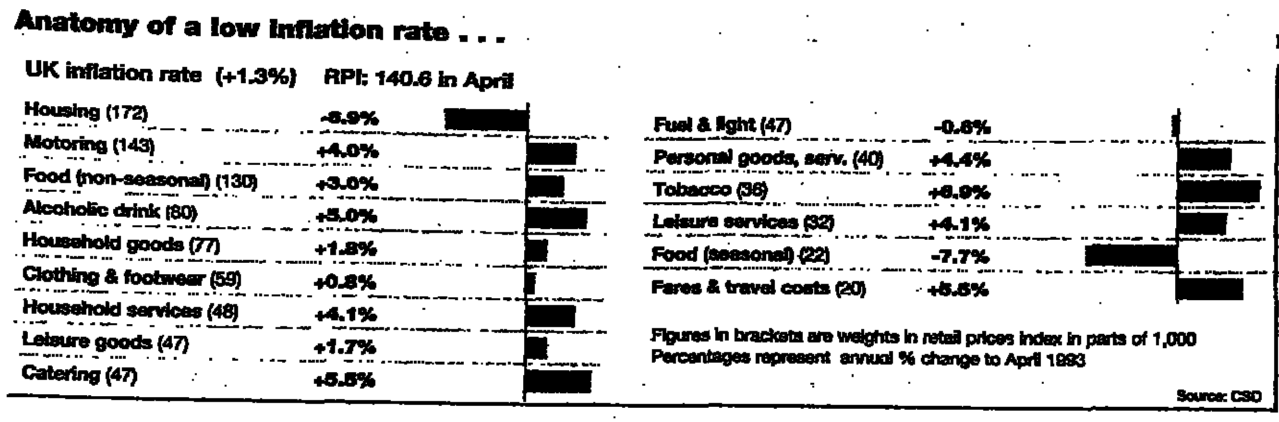
The survival chances of Charing Cross hospital, one of those threatened with closure after the Tomlinson report, have risen as a result of the reviews, which envisage retaining it as a specialist centre. Other inner London teaching hospitals likely to emerge from the reviews with a strong range of specialist services are the combined Guy's-St Thomas'; St George's; the Royal London and University College.

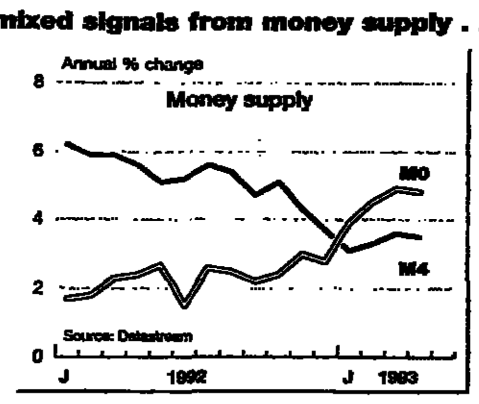
The review teams are expected, however, to support the removal of specialist services from St Bartholomew's hospital in the City, another of those recommended for closure in the Tomlinson report. This would make it increasingly probable that St Bartholomew's would be fully amalgamated with the Royal London on the latter's East End site.

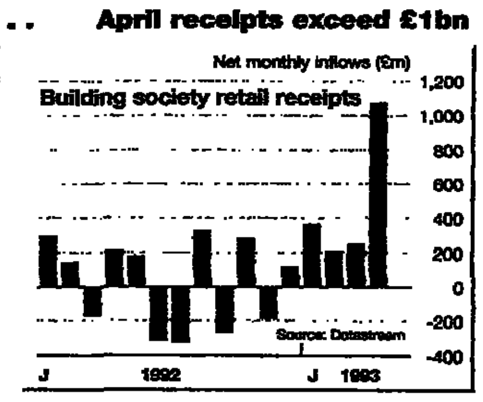
There is general acceptance that London's many scattered specialist services need rationalisation, but some of the specific recommendations will cause anger and alarm. Staff at St Mary's reacted with dismay yesterday to the proposed loss of specialist activities.

The Tomlinson report concluded that St Mary's ranked "fairly low" on a vulnerability list of London hospitals and had a stable financial position. But the review recommendations would lead to the loss of £10m from its £100m annual income.

Lord Glenarthur, chairman of the St Mary's Trust, said: "This hospital has worked hard to become viable and is a good example of the fact that the NHS reforms are working. But instead of rewarding success, we are apparently now being told to try to walk on one leg."







Building society inflow up to £1bn

By Scheherazade Daneshkhu

BUILDING SOCIETIES had a net inflow of deposits from savers of £1.07bn in April compared with £249m in March, enjoying their best month for two years.

Net inflow was £820m for the whole of the previous three months. The last time building societies had a comparable monthly inflow was April 1991, when net recipts totalled £1.3bn.

Mr Mark Boleat, director-general of the Building Societies Association, said the rise "represents a significant departure from the modest inflows experienced over recent months".

He attributed the increase to "the specific marketing efforts of individual societies and seasonal factors rather than a general trend. As such the inflow of savings may well fall back next month".

Mr Nigel Richardson of Yamaichi Securities said the figures indicated that people were saving more of their discretionary income, which had been rising as a result of the fall in mortgage rates.

Mr Ian Shepherdson, UK economist at Greenwell Montagu, said: "Building societies will find it more difficult to whinge against National Savings as a result of these figures. They discount fears of mortgage rate rises."

National Savings contributed £249m to government funding in April, and most of this – £162m – came from accrued interest.

Last year building societies claimed unfair competition by National Savings. Its First Option Bond raised £800m in four months and Cheltenham & Gloucester building society raised its mortgage rates as a result.

The increase in mortgage activity recorded in March was sustained in the April building society figures. Gross mortgage lending was £2.71bn in April, up fractionally from March. Net new commitments increased to £3.18bn, up from £3.09bn in March.

● Voluntary company liquidations in England and Wales rose to 3,454 in the first quarter of the year compared with 3,416 in the same period last year, KMPG Peat Marwick said.

End of poll tax and big harvests curb inflation

By Peter Marsh,
Economics Correspondent

CUT-PRICE lettuces, apples and cauliflowers and a shift in local taxation were behind the big fall in inflation announced yesterday.

Many types of seasonal foods are much cheaper than a year ago because of bumper harvests around the world. The move from the poll tax to the council tax last month had a big impact in forcing down the inflation rate. Higher central government grants mean the average household is paying 8.7 per cent less under the new system.

The retail prices index for last month came to 140.6, up 0.9 per cent from the 139.3 registered in March.

The index is worked out on the basis that in January 1987 it was 100.

In the year to last month the RPI rose by just 1.3 per cent, after a year-on-year increase of 1.9 per cent in March, for an overall fall of 0.6 percentage points in the inflation rate.

The impact of the switch in taxation took 0.7 percentage points off this rate between March and April.

Rising prices – albeit of a moderate degree – for other types of goods and services were responsible for pushing up the rate by a meagre 0.1 of a percentage point.

Between March and last month seasonal foods fell in price by 2.8 per cent, the biggest April decrease for these items since the Central Statistical Office started records in 1956.

Seasonal foods – one of the 15 main categories of goods and services forming the basis for the RPI – last month cost 7.7 per cent less than in April last year after a year-on-year fall of 6.8 per cent in March.

Fresh fruit was sold last month for 17 per cent less than a year previously while prices of vegetables were down 2 per cent.

Shoppers also found fresh fish at bargain prices, down 10 per cent from the corresponding month last year.

Potatoes were down 4 per cent in price, but lamb and cheese cost 12 per cent and 10 per cent more respectively. Non-seasonal foods as a whole cost 3 per cent more last month than a year previously.

Of all 15 categories in the RPI only six experienced an increase between March and April in the year-on-year rate of price changes. Housing costs – in which local taxation is a key component – were down 6.9 per cent in the 12 months to April after a 3.6 per cent fall in the year to March.

The average housebuyer has seen mortgage interest payments fall by 23 per cent in the year to last month, reflecting lower interest rates.

Household fuel and light bills fell 0.6 per cent between April last year and last month, while leisure goods were up in price by only a muted 1.7 per cent.

Cigarettes and tobacco showed price increases of 7 per cent over this period while canteen meals were up 8 per cent.

Furniture has risen in price by only 2 per cent over the past year and electrical appliances have not increased.

The cost of looking after pets increased by a weak 2 per cent in the year to April, while clothing and shoes have increased by just 0.8 per cent.

Proposal to help property recovery

BANKERS have been asked to adopt an innovative approach to dealing with their problem property loans by selling the underlying assets to a jointly owned company, Vanessa Houlder writes.

The suggestion, by Mr Ken Caesar, a partner of Richard Ellis Chartered Surveyors and Mr Colin Bird, a partner of Price Waterhouse, is designed to improve the prospects of a recovery in the property market by reducing the overhang of property for sale.

They said the company, which would own £1bn to 2bn of property, would require the injection of several hundreds of millions of pounds of equity to gain approval from the Bank of England. The company could be sold or floated after several years. Several bankers dismissed the idea as unrealistic because of likely difficulties in raising outside equity and reaching agreement among themselves.

Lending up sharply but money growth sluggish

By Emma Tucker,
Economics Staff

LENDING BY banks and building societies to the private and corporate sectors rose sharply last month, but the underlying growth of broad money was sluggish, pointing to low levels of inflation for some time.

Bank of England figures showed that bank and building society lending, known as M4 lending, rose by £2.9bn last month after falling £1.3bn in March as the private and corporate sectors continued to repay debt.

M4 lending has been erratic in the past few months.Economists said much of the the sharp rise in April represented a bounce back from the March figure.

Broad money – notes and coins in circulation plus bank and building society deposits – grew a seasonally-adjusted 0.4 per cent on the previous month to give a year-on-year growth rate of 3.5 per cent, slightly weaker than expected.

Mr Neil MacKinnon, chief economist at Citibank in London, said: "The underlying trend in broad money growth is consistent with at best a very modest economic recovery." The 3.5 per cent increase in provisional M4 was at the bottom of the Treasury's 3 per cent to 9 per cent monitoring range set in the March budget.

Data from the British Bankers Association showed that sterling lending by the nine big high-street banking groups to the private sector (about 70 per cent of total bank lending) rose almost £2.5bn in April. This compared with a revised fall of £1bn in March.

The association said a similar pattern occurred last year with a big fall in March followed by a larger rise in April. It said the most likely explanation was the exceptional size of the public sector borrowing requirement in March of both years which allowed the temporary repayment of bank borrowing by companies.

A better idea of the trend is given by averaging out the March and April figures. The result, monthly growth of £783m, is only slightly higher than the trend figure for the previous three months.

The association's figures showed strong growth in mortgage lending in April, but a repayment of consumer credit. Companies generally continued to repay bank borrowing.

Smith warns Major over 'a privatisation too far'

By Ivor Owen,
Parliamentary Correspondent

MR JOHN SMITH, the Labour leader, yesterday called on the government to bow to public opinion and drop its "crazy" proposals for privatising British Rail, the Post Office and British Coal.

He accused Mr John Major, the prime minister, of acting like a "runaway train" by ignoring the verdict of the voters in recent elections that they were opposed to any further privatisations. Mr Smith warned the prime minister that if he refused to listen to the British people "privatisation will be his Waterloo".

Mr Smith, in a speech to the Welsh Labour party conference at Llandudno, ridiculed the performance of Group 4, the security company, in escorting prisoners to the courts – "the privatisation scheme that allowed enterprising prisoners to privatise themselves".

Instead of learning the lesson of what was "a privatisation too far", he said, the prime minister was taking this "ideological claptrap" into areas which even his predecessor, Baroness Thatcher, had realised were beyond the pale.

MS KATE HOEY, Labour MP for Vauxhall, was yesterday sacked as a front bench spokesman on the Citizen's Charter. She voted with 64 other Labour rebels against the third reading of the Maastricht Bill in the Commons on Thursday night in defiance of whips' orders to abstain.

Mr Smith also scoffed at Mr Major's appeal for a climate of partnership between government and industry, made earlier in the week at the Confederation of British Industry's annual dinner.

The Tories had 14 years in which to build such a partnership, Mr Smith said, so why should anyone believe they were serious about it now?

Mr Smith underlined the role played by Mr Major as chief secretary to the Treasury, chancellor and prime minister in the conduct of policy which produced a £50bn borrowing requirement and threats to the welfare state. He said that the prime minister, having broken his pledges on tax, now seemed set on tearing up his promises not to cut public expenditure.

Mr Smith accused the government of shaming the nation with its strategy of trying to boost inward investment by selling Britain as a low-skill, low-pay economy. The strategy was doomed because there would always be countries which would do the work more cheaply, pay their people less and exploit them even more.

Dealing with his proposals to improve the Labour party's internal democracy, Mr Smith denied that they involved breaking the links with the unions. Under existing arrangements political levy-paying union members already made a voluntary contribution to the party and they would be encouraged to play a full role at constituency level by paying a special membership rate.

Mr Smith said: "It is a twin-track strategy – one member, one vote, but also many more members, many more votes."

Computer hackers jailed for 6 months

By John Mason,
Law Courts Correspondent

TWO COMPUTER hackers who broke into systems belonging to companies and institutions around the world were imprisoned for six months yesterday.

Mr. Neil Woods and Mr Karl Strickland had earlier pleaded guilty to offences under the Computer Misuse Act – legislation introduced in 1990 to outlaw computer hacking.

For two years the two men hacked into computers belonging to the investment bank S.G. Warburg, British Telecommunications, the European Community, and Nasa, the US space agency. The court heard that the cost of the damage they caused was conservatively estimated at more than £123,000.

Passing sentence on the men at Southwark Crown Court in London, Judge Michael Harris said he fully accepted that their hacking activities were not designed to damage systems, to misuse the information they contained, or to make a profit from what they were doing.

He told them, however, custodial sentences were appropriate "to penalise you for what you have done and for the losses caused, and to deter others who might be similarly tempted".

He said hacking was not harmless and hackers needed to be given a clear signal that their activities would not be tolerated.

Mr Strickland, a Liverpool University research assistant, and Mr Woods, a computer salesman from Oldham, both pleaded guilty to conspiring to obtain telegraphic services dishonestly, and engaging in the unauthorised publication of computer information.

Mr Woods also admitted causing £15,000 damage to a computer owned by Central London Polytechnic.

Minister to head trade visit in Far East this month

By Ivor Owen

MR RICHARD Needham, the trade minister, is to lead a delegation of 25 business executives on a five-day export promotion mission to the far east at the end of the month.

This was announced by Mr Edward Leigh, junior trade and industry minister, in the Commons yesterday when pledging full government backing for the efforts of British companies to maximise their share of the world's fastest-growing market.

He said South Korea was among the 17 countries to which ministers would be leading trade missions in the next 12 months.

Mr Leigh said British exports to China had doubled in the first two months of this year, and Mr Needham, who had been there three times in the last year, was planning an early return visit.

Mr Leigh said Britain's share of world trade had stabilised in volume terms after three decades of decline.

In the first quarter of this year visible exports to non-EC markets were up 12 per cent on the corresponding period in last year.

Giving further details of the reorganisation of the department's export services, Mr Leigh said 30 of the 100 "export promoters" to be seconded by private industry were already in place.

This "infusion of new blood" from the private sector would be of great value to the department in implementing the recent decision to establish two export promotion divisions.

Mr Derek Fatchett, Labour spokesman in the debate, suggested that the improved export performance of the last few months was largely attributable to the devaluation of sterling after its exit from the European exchange rate mechanism.

Condemning the government's mismanagement of the economy, which had resulted in a £17bn trade deficit, he warned of the danger of higher interest rates, an overvalued currency and further periods of "economic gloom and doom".

FINANCIAL TIMES

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Saturday May 22 1993

Life after Maastricht

THIS HAS been a historic week for the European Community. For almost five years – to be precise, ever since the Hanover summit of EC heads of government in June 1988 – debate about economic and monetary union has been all consuming. This week, which saw both the Danish vote in favour of the Maastricht treaty and the successful third reading of the ratification bill in the House of Commons, should mark the end of that long and painful debate. The treaty should be ratified. But this will not end the controversy. It will not even be the beginning of the end. It will just be the end of the beginning.

Deciding the form of the treaty was the first stage. Ratifying it was a second, still more contentious, one. But implementing it in current economic circumstances will be most difficult of all. What is the EC to do with a solemn treaty that has been ratified, but in some respects cannot be implemented?

While the policy-makers grapple with these dilemmas, markets have decided that, Emu or no, exchange rate stability is back, at least for a select group of hard currency countries.

For this group, the decline in interest rate differentials *vis-à-vis* the D-Mark has been nothing short of remarkable. Since the beginning of this year, interest rate differentials on three-month money have fallen from more than 1.1 percentage points to 0.85 percentage points for the Danish krone, from 24 percentage points to 0.1 percentage points for the Irish punt and from 4.6 percentage points to 0.1 percentage points for the French franc.

On the Dutch guilder, the comparable interest rate has been consistently below that on the D-Mark, most recently by half a percentage point. But the Belgian franc has joined the guilder, with a decline in the differential from a percentage point in February, to minus 0.3 points.

Long-term bonds

More important as an indicator of long-term expectations are differentials in yields on long-term bonds *vis à vis* the D-Mark. For the Irish punt, these have tumbled from 3.1 points in January to 0.9 points; for the Danish krone, from 2.4 percentage points last September to 0.6; for the Belgian franc, from 1.2 points last September to 0.6 points; for the French franc, from 1.4 percentage points last October to 0.3; and for the Dutch guilder, from 0.5 points last September to -0.2 points.

Markets have already decided that these currencies are in the inner core of the exchange rate mechanism. By contrast, the Italian lira, with a bond yield differential of 5¼ percentage points, and the Spanish peseta, with one of 4 points, are judged to offer an altogether different class of risk. But sterling, with a bond yield differential of 1 percentage point, is a different matter again.

The increased chance of reaching monetary union is far from being the sole reason for the markets' greater confidence in long-term currency stability. The recently narrowing – and by now decidedly small – interest rate differentials for the Danish krone show that.

Germany's position

Investors have probably concluded that Germany is simply in the same leaky economic boat as other core members of the ERM. Unification has swept away fiscal stability and the historic strength of the German current account; inflation is now entrenched; and the all-German unemployment rate is the highest in the EC. Nor are there merely such structural similarities. The cyclical position is also comparable.

It is a reasonable assumption that the Bundesbank will be driven, willy nilly, towards a monetary policy suitable for all the core countries. Furthermore, there is no good reason to expect the D-Mark to be a particularly strong currency, even by European standards. Globally, things look worse still. The D-Mark hit an all-time low against the Japanese yen this week. Interest rate differentials suggest it will lose still more of its value against both the yen and the dollar.

So is Emu, however distant a prospect, also increasingly an irrelevant one? Will it be possible for currencies in the ERM core to sustain stability on the basis of fundamental convergence, rather than a rapid march to Emu? It is conceivable that this will happen, but investors may be too optimistic in already assuming that it is close to certain. The question is whether the electorates of all these countries will tolerate policies that generate slow growth and high unemployment. In practice, confidence in exchange rate stability will depend on the emergence of policies that generate recovery in the medium term and lower unemployment in the longer term.

Ratification of Maastricht was necessary. But the next five years must not be as dominated by the provisions of that treaty as the last five have been dominated by debates about it. The European Commission has at last recognised that the EC has severe structural and cyclical economic problems. What is needed therefore are monetary and economic policies appropriate to that objective. The search for both must start now.

Congressional setbacks and a drumbeat of media criticism have made Bill Clinton appear vulnerable, says **Jurek Martin**

The town without pity

Is the Washington political establishment seriously down on Bill Clinton or, in its own way, merely testing him? If the former, are his current troubles comparable to those that eventually paralysed Jimmy Carter and, domestically, George Bush? If the latter, does he have the stuff to pass the exam?

The questions have to be recognised because Washington, where comment is the staff of life, is asking them insistently. The rest of the country seems more patient with the new president but it is still plugged in to what comes out of the capital. It is possible to win the White House by running against Washington, as Messrs Carter, Reagan and Clinton demonstrated, and even easier to acquire popular cult status by keeping up the drumbeat of criticism, which is Ross Perot's *modus operandi*. But once installed, a president has got to come to terms with his new neighbours. He may seduce them, cow them, deal with them or even go over their heads – avoid them he cannot.

The establishment itself is both easy and hard to define. Its clear component parts are the politicians, the media and the special interest lobbies. But all eat and drink from the central trough, which is the president and his government, and all have radically or subtly different agendas.

At present there is no denying their collective appetite for Mr Clinton's flesh. The issues may be Bosnia, deficit reduction, still unannounced healthcare reform, gays in the military, campaign financing, federal land use, the North American Free Trade Agreement, and more; and they are drawing blood. For the first time, there has been a touch of petulance in the president's responses and an acceptance, in the recent White House staff reshuffle, that some of the criticisms had merit.

It was no coincidence that the president chose to take his economic message, campaign-style, on the road for several days. It was equally predictable that he was promptly criticised for leaving the superheated Washington kitchen, just as he had been previously attacked for not getting out and about enough.

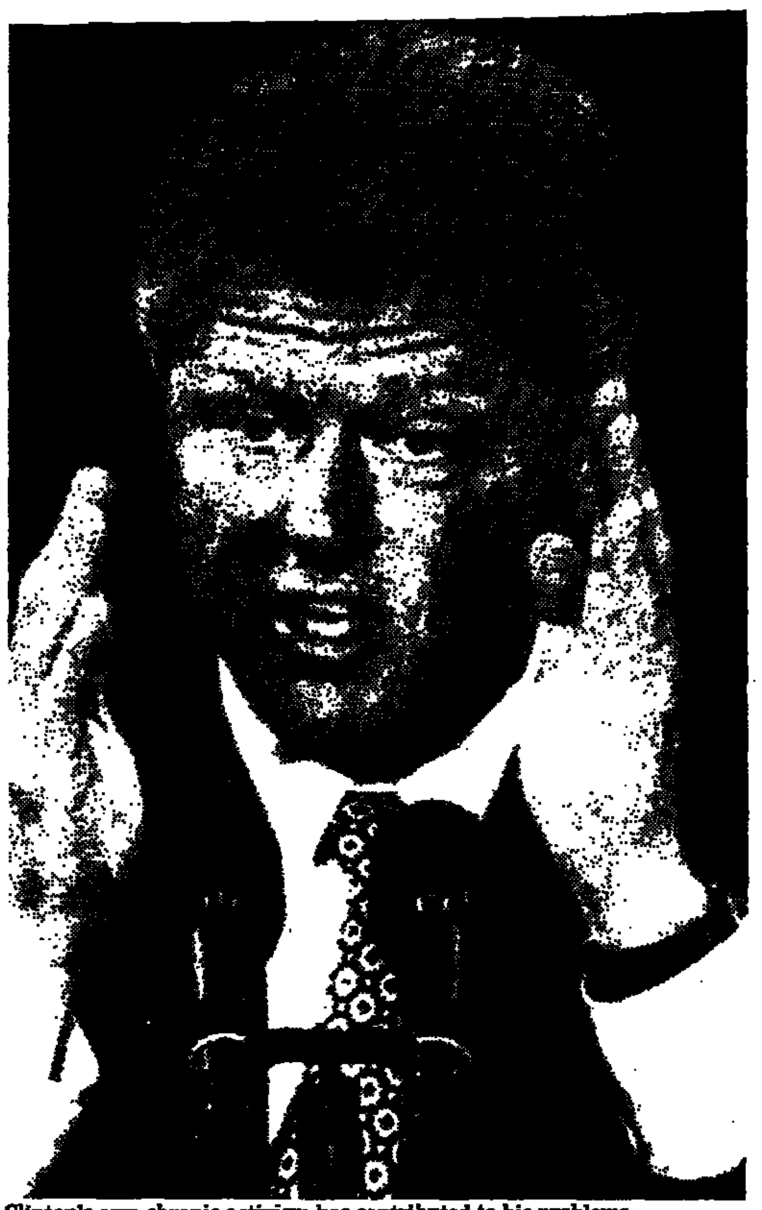
Even commentators sympathetic to Mr Clinton have taken on a harder edge. Joe Klein of Newsweek, condemning his "marshmallowly all-inclusive empathy", wrote: "He has neutered the eternal political question – what's he for? – and raised a darker, more perverse, test of his leadership – what, if anything, is he against?" David Gergen of US News wrote: "Friend and foe alike think he can be rolled. . . . He has a wonderful head and a big heart, but people are looking for more backbone."

This is most evident in Mr Clinton's relations with Congress, where politicians, more than ever, can no longer be defined simply by their party allegiance. The Republicans may have held together to block the economic stimulus package but desertions from Senator Bob Dole's fold enabled easier voter registration (the "motor voter" bill) to pass and may allow campaign finance reform to get through. Some Republicans are nervous about being blamed for "gridlock".

However, the adjustment after 12 years to a Democrat in the White House is proving harder for the president's own party. Their universal public catechism is that they want him to succeed, not least because if he fails they may go down too, but many have difficulty separating the general wood from their own favourite trees.

In the House this week teeth have been bared by a group of fiscal conservatives led by Congressmen Charles Stenholm of Texas and Tim Penny of Minnesota, now strengthened by Congressman Dave McCurdy of Oklahoma, a bosom friend of Mr Clinton until he was not rewarded with either the Defense Department or the CIA. Their beef is that the president's deficit reduction plan relies too much on revenue raising and not enough on spending cuts.

Tom Foley, the speaker of the House, nursing a comfortable Democratic majority, can probably contain their opposition by cracking the whip. Mr Clinton helped by going to Capitol Hill this week. But the more independent-minded Senate is a tougher nut to crack, as witnessed on Thursday when David Boren, the Democrat from the oil state of Oklahoma and a key member of the finance committee that has a Democratic majority of only 11 to nine, joined John Danforth, the Missouri Republican, in proposing deeper spending cuts and fewer new taxes, including abandoning the BTU-based energy tax. Their plan probably cannot pass the Senate but their opposition makes more problematic and protracted the enactment of Mr Clinton's version of the package in most of its proposed form.



Clinton's own chronic activism has contributed to his problems

The proliferation of special Democratic causes is also now pressing Mr Clinton. Senator Bennett Johnston of Louisiana, a wily operator in defence of his state's oil and gas interests, will ride his other hobby horse, a value-added tax, for all it is worth, including siding with Messrs Boren and Danforth. Congressman Richard Gephardt of Missouri and Senator Max Baucus of Montana have laid down clear markers on Nafta passage, as has Senator George Mitchell, the majority leader, on renewing China's most-favoured-nation trading status. Chairman Dan Rostenkowski, who chairs the important House ways and means committee, was more direct in simply eliminating the investment tax credit from the president's agenda (with no complaints from Mr Clinton because the committee approved a revenue bill broadly to his liking).

Cross-party and regional coalitions are now a constant possibility, beyond the farm and oil-state assault on the energy tax. Westerners combined to frustrate Mr Clinton's plans to increase revenues from federal lands; high-tech states such as Texas want to preserve multi-billion-dollar prestige projects such as the super collider (a giant atom smasher) and the space station.

None of this is new to Washington, though it now assumes particular intensity. Congress is also set in some of its other ways, seemingly oblivious to last year's electoral mandate for change. For example, much of the blame for the slowness in administration appointments does lie with the White House's relentless pursuit of diversity – but not all of it. The Senate was not shown in its best light this week when a routine session to confirm 16 nominees was endlessly delayed by special pleadings for potato farmers in Maine, a commuter trunk road in St Louis, and changes in the Treasury's family income statistics. Only half the nominees got the nod and the perception of business as usual, now captured by live cable television coverage, *was* reinforced.

If the body politic is fretting, the media is even more fractious. Instant punditry is now the norm, no longer confined to the established columnists or notorious talk show hosts who became celebrities last year because the candidates all wanted to appear on their programmes. Every action by the president is deemed worthy of an absolute life-or-death verdict, as in some Roman amphitheatre. The sense of government and politics as a process is getting lost.

Mr Clinton shares some blame for this phenomenon, because his chronic activism invites so many judgments. Also, unlike Presidents Reagan and Bush, both often inarticulate unless speaking from a script, his natural tendency, now slightly curbed, is to talk knowledgeably all around any given subject. This still delights many – Chris Patten, the governor of Hong Kong, was quite bowled over by his recent Oval Office session – but it also may confuse the public as much as it enlightens.

The Bosnian petard has been particularly illustrative. Having tried, like the grand old Duke of York, to march the American people and the allies up the hill of forceful intervention, his retreat, even if understandable, reinforces an impression of indecision. A common complaint, from press and politicians alike, is that support would be there if only the president explained what he was going to do and why. Some red-blooded pundits apart, this would probably extend to doing relatively little in the Balkans, barring some new wave of atrocities or threats to other countries.

However, some of the media assaults seem less well-founded. This week's controversies over the sacking of the White House travel staff for non-competitive practices and sloppy bookkeeping and the circumstances of Mr Clinton's haircut on board Air Force One at Los Angeles Airport do not suggest a willingness to give the president a fair shake. But they do increase the perception that he is vulnerable.

Explanations include a media sense that he got too easy a ride at the end (not the beginning) of last year's campaign; the media's piqued relations with the very young and workaholic White House staff; and a punchier and more herd-like brand of contemporary political journalism, which is now more of a blood sport and less of a contemplative occupation.

In a sense, Mr Clinton's good start – the first budget bill passed, Boris Yeltsin succoured, fine speeches given – set him up for a fall, which the Washington establishment always enjoys facilitating. Even the capital's new star, Janet Reno, the attorney-general, is feeling this phenomenon. Having risen to staggering heights of popularity by the mere, but abnormal, act of "taking responsibility" for the Waco *denouement*, she is now under fire for protecting those who gave her bad advice. "Only in Washington," said a tart column in the iconoclastic New Republic, "would this make her a hero."

Observing the political and media fray is Washington's largest private-sector industry – the special interest lobbyists. They are vultures in the populist eye of Ross Perot and a target of Mr Clinton, who wants to take away some of their tax deductions. While it is far too facile to place all lobbyists in the hall of reactionary shame normally reserved for the National Rifle Association, it is dangerous to ignore their power. Their influence in Oklahoma on Senator Boren was palpable.

One such clash of the lobbying titans already endangers healthcare reform even before its unveiling. Abortion rights advocates are demanding that national health insurance cover be provided to all reproductive services while the right-to-life forces are threatening to scuttle the whole package if a single cent is spent to reimburse abortions. Totally lost in the passionate wash is the reality that only a minute share of national healthcare costs, which everybody accept must be curtailed, are accounted for by abortions.

It has always been said of Mr Clinton that he is a fast learner. It was true in last year's campaign and was certainly the case over 12 years as governor of Arkansas, especially after a hyperactive first term ended in defeat. But the campaign and Little Rock were the minor leagues. In Washington, he is seriously expected to be the boss, using whatever tactics work, and the first year is when that essence of leadership needs to be shown. In short, he needs to win "a big one" – and soon.

MAN IN THE NEWS: Michael Portillo

Centurion off-guard

Mr Michael Portillo was ambushed this week. It was an unfamiliar experience for the bright young Centurion of the Tory right. For Mr John Major's government it was a salutary warning of the political ditches that lie ahead as it seeks to restore a semblance of order to public finances.

The proximate cause of the discomfort was a leak that the chief secretary's review of public spending had begun to touch the nerves of the welfare state.

Free National Health Service prescriptions – available to 80 per cent of the population – were to be restricted to the poor. The NHS might withdraw from dental care. Parents could find themselves paying the tuition fees for their childrens' university education.

Never mind that these are only options – nothing has been ruled out but nothing has been decided. Nor that other suggestions – new restrictions on invalidity benefit, cuts in unemployment benefit or "hotel" charges for hospital stays – are on the list.

The Tory party at Westminster, never far these days from the edge of panic, was aghast. Since the enforced tax increases in the March Budget, the government backbenches have been ringing with calls for the Treasury to regain a grip on public spending. But after their trouncing in Newbury and in the council elections, Conservative MPs are in no mood to dish out more unpleasant medicine to the voters.

Mr Portillo, among the few in the cabinet whose reputation has been unscathed by recent crises, found himself encircled.

Mr Major was furious. This was to have been the week when the prime minister celebrated the end of the year-long Commons battle over the Maastricht treaty. Another fall in the unemployment total and a sharp drop in the inflation rate were to have provided some all-too-rare icing on the cake.

Instead, as his chief secretary toured the television studios parrying questions about the future of the welfare state, Mr Major was forced yet again on to the defensive.

The winners were the Whitehall spending departments, determined that a return to fiscal virtue should leave their empires untouched. Few doubted that the leak had emanated from Mrs Virginia Bottomley's health department.

It was not the way Mr Portillo had planned it. He had been drafting a speech designed to explain to his party, the nation, and, above all, to his cabinet colleagues, the scale of the problems. It was to be a careful step in preparing a receptive climate for tough decisions in the November Budget. The "scare stories" derailed it.

His speech nonetheless was an elegant exposition of the economic and political case for a return to sound finance. Not yet quite 40 – he intends to celebrate that birthday next week in a London nightclub – Mr Portillo has the advantage of believing in the need to curb the role of the state.

The cabinet standard bearer of the Thatcherite right, he has long been tipped as the man most likely to restore the ideological purity of the 1980s when the party leadership falls eventually to his generation. But his demand for a re-evaluation of the welfare state – and his challenge to the principle of universal benefits – is grounded in harsh financial realities as well as ideology.

The figures speak for themselves. Britain's public borrowing, running at £1bn a week or 8 per cent of national income, is unsustainable. The cost of servicing the debt will almost double to £30bn a year by 1997. The core budget deficit – excluding debt interest – is worst than Italy's.

Much of it can be blamed on the fall in tax revenues and rise in welfare benefits inevitable in a recession. But in the chief secretary's view, the government – he would never say Mr Major – has got into the habit of throwing money at problems.

Mr Portillo has two parallel strategies to restore the position.

The first is a new system for the annual spending negotiations. The cabinet has committed itself for the first time to targets for non-cyclical spending (budgets largely unaffected by the ups and downs of the economic cycle) which will mean small cuts in each of the next two years once account has been taken of inflation. The £253.6bn and £263.6bn cash ceilings for 1994-95 and 1995-96 have been declared sacrosanct.

Alongside the annual negotiations Mr Portillo has instituted his long-term review – focusing initially on the £80bn social security, the £34bn health, the £32bn education and the £14bn law and order budgets.

It is this second strand which is throwing up the radical options. The original idea was that the conclusions of the review would inform decision-making next year and beyond. But, with many of his colleagues already ignoring Treasury strictures against bidding for extra cash, Mr Portillo must realise that if the sums are to add up this summer, the cabinet must take some tough decisions now.

The man who as local government minister introduced the poll tax for Mrs Margaret Thatcher and abolished it for Mr John Major has underlined his politically shrewdness in the way he structured the reviews. He has cast himself as the agent in a collective decision-making process. If harsh decisions are taken, the opprobrium will be distributed equitably. He hopes also that this week's scare stories will dull the reaction to the next, inevitable, batch of leaks.

But Mr Portillo's problem runs deeper. The government and the Conservative party have been drained of will. The targeting of benefits and the extension of charges in health and education would hit two groups of core supporters: the middle-aged middle classes and the elderly. An issue like prescription charges might cost the government the forthcoming by-election in once-solid Christchurch. The constituency is packed with pensioners.

Mr Portillo was characteristically sanguine about the political fall-out. But he must not forget the fate of the last rising star of the Tory right determined to take an axe to the welfare state. Who else remembers Mr John Moore?

Philip Stephens

It's lost that faltering feeling

A couple of weak spots in the UK economy do not detract from current optimism about the recovery, writes Peter Norman

Britain's economic recovery is still on track after a week of wayward statistics which left egg on forecasters' faces.

For a day or two, reports that retail sales fell unexpectedly in April and manufacturing output dipped in March suggested that recovery was faltering. But these doubts were confounded by Thursday's equally surprising news that seasonally adjusted unemployment fell in April for the third month in a row – by 1,400 to 2.94m.

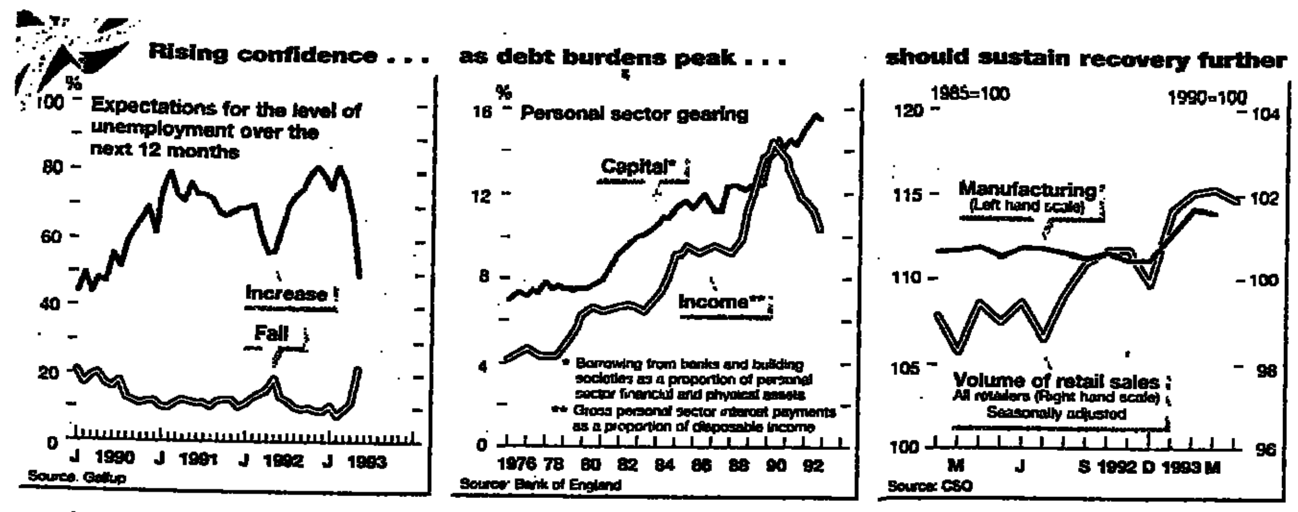
The week's blips have brought the recovery back to earth. Between December and February, manufacturing output increased by a spectacular 2.7 per cent after a year of stagnation, while in the same two months the volume of retail sales rose by 2.2 per cent.

Such growth rates were clearly unsustainable. The latest hints of a corrugated upturn after months of the economy bumping along the bottom of the business cycle suggest that the recovery is likely to be moderate. This will be no bad thing, if it means that inflationary pressures stay subdued.

But at the same time, the controversy surrounding Mr Michael Portillo, the chief secretary of the Treasury, amid reports of Treasury plans to cut health and social security spending, is a reminder of problems further down the line.

The recovery could still hit the buffers. Recession in continental Europe is a growing worry for exporters although Britain may be increasing its share of total world trade. Britain's budget and current account deficits are more intractable problems that could one day trigger a crisis of confidence if financial markets believe they are running out of control.

For the moment, however, international investors are relatively optimistic about the British economy, as evidenced by sterling's firm performance over the past week. Yesterday's news that the annual rate of retail price inflation fell last month to 1.3 per cent – its lowest level for nearly 30 years – while bank and building society lending grew by a larger than expected £2.9bn suggest that the UK may succeed in using sterling's devaluation since September to spur economic growth without falling prey to high inflation. However, the future path of inflation is likely to be upwards.



For the moment, international investors are optimistic about the UK economy

But this week's news has also left a strong impression that something special is happening in UK manufacturing industry, which has emerged as the main beneficiary of the devaluation. April's fall in unemployment was unspectacular compared with declines of more than 25,000 in each of the preceding two months. But other official figures on Thursday showed that seasonally adjusted employment in manufacturing industry rose by 5,000 in March and by 11,000 in the first quarter after years of decline.

"You have to go back to the 1960s to find the start of a recovery in which manufacturing employment rises," commented Mr Peter Spencer, chief economist at Kleinwort Benson, the investment bank. The last time that manufacturing employment increased for three successive months was in 1988, when the UK economy was booming. The long term post-war trend in manufacturing employment has been inexorably downwards: from a peak of 7.89m in June 1971 to about 4.2m today.

Almost certainly, there are special factors behind the rise. Many companies were too quick to shed labour in the dark days of last September when business and consumer confidence slumped after sterling's forced departure from the European exchange rate mechanism. The labour market reforms of the 1980s and the much tougher disciplines imposed on managements by financial markets seem also to have encouraged a "hire and fire" culture in Britain more akin to that of the US than Britain's European Community partners.

Some growth in the manufacturing workforce could also reflect increased economic growth. But here government and independent economists are cautious. Nobody is suggesting that unemployment will not rise again.

What is clear, however, is that manufacturers have come through the recession in reasonably good fettle. The 0.3 per cent fall in manufacturing output between February and March seems to have been statistical "noise" rather than evidence of the recovery's fragility.

Manufacturers report rising orders and expect further increases in output. The Bank of England says their profitability was maintained through the recession. Manufacturing productivity is growing strongly: up 7.8 per cent in the three months to the end of March compared with first quarter of last year. Unit labour costs are falling: down an annual 2.9 per cent over the same period. By contrast, the Bank of England is forecasting a 9.8 per cent increase in the unit labour costs of west German manufacturers this year.

Mr Spencer believes the improved fortunes of Britain's manufacturers could trigger "an emulation effect" in other parts of the economy. There is some anecdotal evidence to support such hopes. Mr Charles Burton, joint managing director of Business Strategies, an economic consultancy, has noticed a change in his customers' requirements that might point to future economic growth.

The key to sustained growth lies with the recession-shocked British consumer

"A financial institution, two retailers and even some construction companies have asked BSL to think about where in the UK they should expand their activities," Mr Burton says. "That is first time we have had such business since the late 1980s."

But manufacturing is too small a part of the economy to ensure recovery on its own. The key to sustained growth lies with the hitherto recession-shocked British consumer.

Here too there are encouraging signs. April's surprise 0.3 per cent decline in retail sales compared with March has to be set against a sharp improvement in consumer confidence as measured by Gallup, the opinion poll company, and a survey this week from the Confederation of British Industry forecasting further increases in retail sales in May.

The high levels of debt and debt-servicing costs, which have crimped consumer demand, may also be easing slightly. The accompanying chart, based on Bank of England data, shows how personal income gearing (which measures personal sector interest payments as a proportion of disposable income) has fallen to about 10 per cent from 14 per cent in 1990, largely because of falling mortgage interest rates. The recent slight rise in house prices may have halted the rise in capital gearing, the measure of outstanding lending as a proportion of consumers' financial and tangible wealth.

One of the most hopeful indicators is the May Gallup survey of unemployment expectations. The 28 percentage point gap between the 49 per cent of respondents expecting unemployment to rise and the 21 per cent expecting it to fall was the smallest since May 1990 and suggests that fear of losing one's job is falling sharply.

If so, the way will be open for a more broadly based upturn, supported by a more active housing market and increased personal borrowing.

But the recovery is bound to be modest so long as the economy is weighed down by Britain's current account and budget deficits and the prospect of future tax increases and public spending cuts to correct these problems.

Havens are available to fugitives with cash, say FT writers

Rogues on the run

Whatever the outcome of his flight from Britain three weeks ago, Mr Asil Nadir looks set to go down in the history books among a long list of fugitive businessmen who have eluded to the arm of the law.

Ensconced in the sunlit fastness of northern Cyprus, the former chairman of Polly Peck International might ponder the others who have swapped the world of high finance for lives removed from the limelight.

Jabez Spencer Balfour, a notorious 19th-century British fraudster, escaped to Argentina but was brought back to stand trial in 1895. He was given a 14-year sentence to punish what the judge called "a long career of cold-blooded villainy by which he has ruined thousands of humble and happy homes".

Staying beyond the reach of police and judiciary requires stamina, cash and top-level contacts, as well as expert knowledge of extradition laws.

A small, secretive industry of companies tracks down fugitives. The work can be risky. "People in hiding can play hard-ball," says one UK accountant involved in this area. "There are some you definitely do not want to go after without protection."

"You're dealing with sophisticated individuals," says Mr John Conyngham, managing director of the UK arm of Kroll Associates, the New York-based corporate investigations company. Mr Conyngham says the refusal of some countries to extradite their own nationals can pose problems.

Mr Ted Clements, executive director for consulting and investigations at the London office of the California-based Pinkerton's security group, specialises in unravelling cross-border financial transactions. These can be exotic: Pinkerton's UK operation is considering helping the Russian government track down 500 tonnes of missing Czarist gold.

One worry for absconders is that the number of countries offering firm protection is shrinking. China, for instance, has tried conspicuously to help international justice authorities, part of its efforts to collaborate with the west.

Spain's Costa del Sol used to be a favourite haunt for suspected criminals, but the Spanish authorities have now become more helpful on extradition. "If the paperwork is put to them, they are more co-operative," says Mr David Sherwin, head of fraud investigations and risk management at accountants Ernst & Young.

Yet there are still plenty of havens. Governments in the Gulf, for instance, have been reluctant to extradite individuals involved with the collapsed Bank of Credit and Commerce International. Several key BCCI figures wanted by the New York district attorney's office are thought to be holed up in the Middle East.

South-east Asia is a favourite place in which suspects disappear. "If you are dealing with poor countries, where money will buy a lot, you do just that – you buy a lot," says one Hong Kong police official.

A celebrated Hong Kong case concerned the Ma family, who own the Oriental Daily, Hong Kong's biggest-selling daily newspaper. Facing drugs-related charges, the Ma brothers, Ma Shek Yu (or "White powder" Ma) and Ma Sik Chun, jumped Hong Kong bail and fled to Taiwan as long ago as 1976.

Somewhat closer to Mr Nadir's current refuge, Switzerland can offer solace for people fleeing fiscal inquiries, as it does not consider tax evasion a crime. Mr Octav Botnar, former chairman of the Nissan car importing company in the UK, was usefully in Switzerland in January last year when the Inland Revenue issued an arrest warrant for him.

Another well-known Swiss resident is Mr Marc Rich, head of the eponymous commodity trading group. In 1983 he was charged in New York with racketeering, fraud, tax evasion and illegally trading with Iran. Mr Rich moved his headquarters to the tiny but extremely wealthy canton of Zug, where he and his company have lived comfortably ever since.

Mr Jean Ziegler, a Swiss parliamentarian and author of a book on Switzerland's role as an illicit financial haven, suggests Mr Nadir could follow Mr Rich's lead – but underlines he should become a benefactor to the canton. "If you do something in the interest of Zug, it will look after you," he says.

However, for Mr Werner K Rey, the Swiss financier who formerly headed the collapsed Omni conglomerate, Switzerland offered no hiding place. Charged with defrauding the group, Mr Rey disappeared early last year. He was traced in December to the Bahamas, where he has been trying to block the Swiss government's extradition demands.

For many fugitive financiers, the main threat to their well-being stems not from government and judicial authorities, but from creditors. Some may be seeking both cash and revenge. Fear of reprisals has occasionally led runaways to seek protective custody. Mr George Koskotas, former chairman of the Bank of Crete, fled to Brazil in 1988 after being charged with large-scale fraud. But, concerned that his life might be in danger, he later effectively gave himself up by travelling to the US, from where he was extradited back to Greece in 1991.

Mr Eugene Mastrangelo, managing director of the Pinkerton's Risk Assessment Services in the US, says the Bank of Crete story may contain lessons for Mr Nadir. "If I was him, my least concern would be the authorities. I would worry more about the individuals who had staked me out."

He says Mr Nadir would probably be safer if he went underground in the Lebanon. "There, he'd slip off the screen – and he could do whatever he's got to do to correct his personal situation."

Report by David Marsh, Andrew Jack, Simon Holberton and Ian Rodger

Michael Skapinker on the challenges facing Adele Biss, the new head of the British Tourist Authority

Tough road to travel

Ms Adele Biss smiled broadly for the cameras in central London yesterday as the government announced she was to be Britain's new tourism chief.

If she is still smiling when her term as chairman of the British Tourist Authority and the English Tourist Board ends in three years that will be an achievement in itself. Her predecessor, ex-Punch editor Mr William Davis, rounded off his stint by declaring: "The pay is absurd and the chances of achieving any worthwhile results are slim."

Ms Biss, who takes up the part-time, £35,000 a year appointment on June 1, has the advantage that the tourist industry has no preconceived ideas about her. "I've never heard of her," said one senior industry figure. "No one seems to have heard of her."

Ms Biss, 48, has, however, had a successful business career. She was a founder of the Biss Lancaster public relations company which was acquired by WCRS, the advertising group, in 1985. She was also a non-executive director of the British Railways Board for five years. She is currently a director of European Passenger Services, the BR subsidiary that will run rail services through the Channel tunnel.

In the 1970s, she worked for Thomson Holidays, the UK's biggest travel group. As a public relations consultant, she represented the Association of British Travel Agents, Pickfords Travel, Holiday Inn and several charter airlines and cruise companies. She also, as an economics student at University College London in the 1960s, took coach-loads of tourists on 10-day trips around Europe, for which they had paid £19.

While her experience with the travel industry has mostly involved taking tourists out of the UK rather than bringing them in, she is not a complete novice. That some in the British travel trade reacted sceptically to her appointment has far more to do with an unwillingness to believe the government will treat the industry fairly and generously than with any personal antipathy.

The UK tourist industry employs 1.5m people – more than the construction sector or the health service. It represents about 4 per cent of gross domestic product and contributes £25bn to the economy annually. Yet it is barely discussed by ministers. Responsibility for tourism has been passed from the Department of Trade and Industry to employment and now to the Department of National Heritage. At national heritage, formed after last year's general election, tourist industry managers believe they are regarded as unimportant compared with broadcasting and the arts.

The House of Commons did debate tourism last March, for the first time in nearly five years. But Mr Robert Key, the national heritage minister, was derided for his claim during the debate that the flying of more Union Jacks would assist the industry.

The delay in appointing Ms Biss, when the government had known since last January that Mr Davis would not be continuing in the post, was seen as further evidence of official lack of interest.

As always, however, the chief gripe is money. While the BTA's grant is to rise from £32.1m this year to £33.5m in 1995, the ETB's funding will be cut from £15.4m this year to £9.1m in 1995. The BTA promotes Britain abroad, while the ETB attempts to improve the quality of tourist facilities and encourage the locals to take their holidays at home. The government argues that the ETB's work should be done by the 11 English regional tourist boards.

Selling Britain on a tight budget: Adele Biss, Britain's new tourism chief

Some in the industry agree that at a time of public spending cuts, what money there is should be devoted to the BTA. However, Mr John Jarvis, chairman of the privately-owned Jarvis Hotels group, who has served as interim ETB chairman for the past two months, believes Ms Biss should fight for the ETB's survival. English tourism needs a central co-ordinating board to ensure that standards are maintained and improved. "To co-ordinate tourism will take more than £9m," he says.

Mr Jarvis, who described Ms Biss's appointment as a "refreshing choice", says that a still unpublished study he has commissioned from management consultants Coopers & Lybrand will strengthen the argument for the ETB's retention.

Mr Peter Brook, the national heritage minister, accepted, during the parliamentary debate, that the BTA performs a function which the private sector cannot. "Overseas promotion is difficult to organise and the returns to individual businesses may be quite small and unpredictable – not worth the investment. The industry, unaided, would not put sufficient money and effort into overseas promotion. The tourism industry is particularly fragmented; it covers many sectors and it is not in the direct interest of any one private sector company to promote Britain as a destination," he said.

While the BTA is a frequent winner of awards for the service offered by its overseas offices, some comment on how paltry its efforts seem when compared with other countries.

Mr Mario Bodini, managing director of Jac Travel, which brings tour groups to the UK, said: "Given the funds they have available, the BTA, for the most part, is fairly good. Still, I get quite embarrassed when I'm at international trade shows and I see that the British stand is feeble compared with quite small destinations such as Holland, Austria or Portugal."

Mr Peter Bates, marketing director of the Savoy Hotel group, said the BTA needs to focus its energies more clearly when promoting the UK's attractions. He said, for example, that the relative cheapness of the UK to American visitors after sterling's effective devaluation last September had not been sufficiently stressed in the US market.

In 1991-2, the BTA received £24m in funding from the private sector and other public bodies such as local authorities. Mr Bates argued the BTA needs to pay more attention to travel companies' views on how that money should be spent.

Ms Biss insists she is ready to listen and does not think she will suffer her predecessor's frustrations. "I would guess my expectations are a little bit different from what his were. A lot of my past has been spent persuading people and reconciling different points of view."

Unlike Mr Davis when he began, she has no illusions about the level of government support she is likely to get. "Anyone going into a public appointment now understands the economic background, the whole problem of public finances. Maybe I've got a different starting point from him."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Dissatisfied with BR's reaction to complaint

From Mr John Parker.

Sir, The contents of the article "Citizen's Charter cuts BR payouts" (May 17) did not surprise me. I took a journey by train from Euston to Chester, via Crewe, in September last year. The InterCity was late, the connection was not held despite being shown in the InterCity timetable and I, with about six others, was left stranded.

The station manager had no authority to do other than (very politely) explain the BR structure and authority levels, to advise who we could complain to, and when the next train left for Chester. A further hour's delay would have invalidated my appointment and so I took a taxi.

I wrote to Chris Green, managing director of InterCity, and was rapidly passed down to a customer relations officer in Birmingham who quoted internal procedures and regulations to me to prove that he could only take responsibility for the InterCity delay. I guess that if you chop your organisation into enough bits and force your customer to deal with each, he gets fed up and goes away. I did and have not travelled by rail since.

BR's best solution would have been to give the station staff at Crewe the authority to put us into a taxi, with profuse apologies. The next best would have been for Mr Green to apologise and offer some compensation which had a greater value to me than cost to BR – upgrade to first class on my next journey or provide a discount voucher.

The worst was the course of action BR took, which demonstrated that top management delegates customer service and satisfaction as low down the organisation as possible. When I phoned the clerk concerned he was surprised I could contact him and then quoted more regulations at me. As your article on on Charterline confirms (Management: "Manning the hot lines", May 19), dissatisfied clients tell many friends and are very costly.

John Parker,
34 Compton Crescent,
Chiswick, London W4 3JA

Economic success at right social cost

From Mr Norman Willis.

Sir, I heartily endorse your view that "high and rising unemployment is now the biggest problem facing all European governments, and their most urgent need is growth and job creation" ("Get Europe to work," May 19), but would disagree equally strongly with your conclusion that this does not allow for measures of social protection.

The real challenge for Europe is how to combine high levels of employment, economic success and high social standards. Popular political pressures make it impossible for Europe to seek to match the wage costs of its competitors in Asia and elsewhere by driving down living standards.

The realistic course open to us is one based on high quality "value-added" production, improved training, better use of resources and maximising our creative skills. But the support of Europe's working people for change depends on us having a solid base of social protection and a genuine all-Europe co-operative growth strategy. We won modest gains on this at the Edinburgh Summit, and have had very positive and practical discussions with the Danish government and the European Commission.

This could set the country on a new and popular course. If it does, I am sure nobody will attack Jacques Delors for "coming over and interfering with our unemployment".

Norman Willis,
general secretary,
TUC,
Congress House,
Great Russell Street,
London WC1B 3LS

Timetable for telecoms tenders

From Mr Michael Scargill.

Sir, Re your your editorial "Cable telecoms" (May 19) I was left wondering whether all you were suggesting was that one of the government's proposals in the duopoly review was brought forward by 10½ months. The March 1991 white paper stated that "the government intends...from April 1 1994 to allow the national PTOs [public telecommunications operators] to tender in their own right for a local delivery licence for any part of the country not at that time covered by a cable or local delivery licence. Any such application would fall to be considered under the normal ITC procedures as specified at that time..."

Michael Scargill,
9 Cheapside,
London EC2V 6AD

Lavishness of dinner in eye of the beholder

From Mr David Ives.

Sir, Your reporter David Owen writes of a "lavish dinner" to mark the chancellor's 21st anniversary as member of parliament for Kingston-upon-Thames ("Knives out for Lamont again", May 15).

As somebody who was also there I can confirm that it was a very pleasant and convivial occasion, but "lavish dinner"? - it depends on one's standards.

David Owen also refers to "days when Conservative governments used sometimes to win mid-term by-elections". In fact, Norman Lamont won the Kingston by-election in May 1972 with a negligible swing against a Conservative government nearly two years into office. This was attributable to his impressive qualities as a candidate, the strong legacy of the retiring member John Boyd-Carpenter, and an efficient Conservative organisation with more than 6,000 members.

David Ives,
76 Florin Court,
6-9 Charterhouse Square,
London EC1

Selective briefings 'patently unfair' to the small investor

From Mr I Cameron.

Sir, I fully support the action of the London Stock Exchange in cracking down on selective leaking of price-sensitive information ("Crackdown on private briefings for analysts", May 15/16). As a hobby in my retirement, I am a small investor in the equity of London-listed companies. I believe that all the generally known facts relevant to making investment decisions are reflected in the price of a company's shares and, with this in mind, I have written a simple program in Basic which, when run on my pc, extracts this information and suggests which shares are a good buy.

At present I scan 125 listed companies daily. I also use information acquired via the FT's "Free annual report service" and the "Directors' share transactions in their own companies" listed in the FT. I supplement this with data from Monday's FT and Extel cards.

In each of the years that my program has influenced my share dealings, the increase in the net value (after allowing for actual buying and expected selling costs) of investments has comfortably exceeded the increase in the FT-SE 100 Index. Indeed, I would consider I had failed if it had not done so.

It would seem patently unfair if, after I had taken all this trouble to a "group of analysts and institutions" is handed, on a plate, price sensitive information denied to the rest of us.

I Cameron,
2 Camlingay Road,
Potton, Sandy,
Beds SG19 2RQ

COMPANY NEWS: UK

Other property companies expected to make cash calls

Brixton Estate seeks £100.7m

By Roland Rudd

BRIXTON Estate, the seventh largest property group in the UK, yesterday launched a 2-for-5 rights issue to raise £100.7m to take advantage of low property prices.

The new shares are being offered at 155p. Yesterday the shares rose 11p to 207p.

Brixton is the second big property company after Slough Estates to tap shareholders. Analysts believe other property companies may embark on similar exercises.

The cash call, a further sign that confidence is beginning to return to the battered property sector, should find favour with institutional investors. In the last few months, a growing number have started to move back into the property market, believing it will begin to recover within the next 18 months.

Mr Harry Axton, chairman, said: "Since the company went public in the thirties we have only had one rights issue which raised £15m in 1980. We resist asking shareholders for money if we can manage without it."

The value of Brixton's property portfolio at the year-end dropped from £724m to £679m. Net borrowings rose to £346m, representing gearing of 114 per cent.

With significant undrawn borrowing facilities still available, Mr Axton said the group had not been under any pressure to raise new finance.

A quarter of the debt is repayable over the following five years and 1 per cent within 12 months.

Two of Brixton's biggest shareholders, Clerical Medical & General Life Assurance Society and Royal Insurance Asset Management, which own 37.4 per cent of the group, have undertaken to take up their rights. The rest of the issue is underwritten by J Henry Schroder Wagg.

"If we are going to take advantage of the present situation we need more money," said Mr Axton. "We are looking for the right sort of properties, which are let or partially let."

Mr Axton said he had spotted "short green shoots" in the letting business, the number of sales, however, was still small compared to the increase in new visits.

Net rental income last year was in excess of £55m and the majority was derived from tenants described by the group as "good quality credit risks".

The group holds land where planning permission exists for 600,000 sq ft of industrial and office space.

Shareholders will be asked to approve the increase in share capital at an extraordinary general meeting on June 7.

See Lex

Ferraris profit boost and £2m rights

By Paul Cheeseright, Midlands Correspondent

FERRARIS, the medical equipment and specialist engineering group, formerly known as Stainless Metalcraft, yesterday moved to strengthen its financial base with a two-for-three rights issue to raise £1.95m and said it is applying for its shares to be admitted to the official list.

The group also announced pre-tax profits of £251,000 for the six months to last February, compared with £77,000 in the same period of 1991/92. Turnover rose to £5.43m against £4.63m. Ferraris returned to profit in the year to last August, after two years of losses.

The rights issue is priced at 55p a share, a discount of 12p to its overnight price. It has been underwritten by Singer & Friedlander in Birmingham and brokers are Peel, Hunt.

Proceeds of the rights will be used to buy the freehold of its main operating site at Chatteris, Cambridgeshire, as well as the outstanding minority interest in its US subsidiary and reduce gearing.

Between 1989 and 1991, when Ferraris reorganised its business, moving out of general engineering, gearing rose from 70 to 154 per cent and last year was 98 per cent. After the rights issue it will fall to under 20 per cent and said Mr Ken Baker, the chairman, "we plan to keep it that way for the future."

He described the fund-raising as "tidying up the garden," a financial reorganisation to complement the operational reorganisation. One element of this has been to widen the shareholder base.

The directors and the Childs family, holders of the largest block of shares, are renouncing their rights entitlement so that their combined holdings will decline from 40 per cent to under 24 per cent of the equity.

Based on earnings per share of 2.4p, against 0.7p in the comparable half, shareholders will receive an interim dividend of 0.75p a share. In 1991/92 they received no interim, but a final of 1p.

Owen & Robinson restructures capital and makes £2.1m placing

By Nigel Clark

OWEN & ROBINSON, the jewellery and sports footwear retailer, has announced plans to overcome its high level of debt and accumulated losses and finance development by raising £2.1m through a placing and open offer.

Mr Alan Gaynor, chief executive, said that the company had done as much it could to "get a grip on the losses" but it would be unable to move forward without a capital reconstruction.

The company also reported pre-tax losses for the year to January 31 of £2.53m (£2.92m) on turnover of £25.5m (£26.3m).

The reconstruction involves the agreed conversion into equity of £2m of debt held by Hill Samuel, the company's principal banker, £1.35m of loan notes held by two principal shareholders and £1.1m nominal of A preference shares.

It is proposed to convert the £8.2m nominal convertible preference shares at a rate nearly six times greater than the existing provisions and make a capital reduction involving the elimination of the share premium account and the capital redemption reserve and consolidate the present 1p shares into 20p shares.

Mr Gaynor and Mr Mike Smith, finance director, are being given options over a total of 1.05m shares at 27p.

Credit Lyonnais Laing is placing or will subscribe for 9.25m new shares. Existing shareholders are being offered the shares at 27p each on the basis of 171 for every 100 new shares.

As a result of the changes Mr Gaynor said that gearing would be cut from 2,200 per cent to 35 per cent.

The loss for the year was after exceptional charges of £1.13m (£832,000). Losses per share were 7.6p (12.88p).

Isosceles agrees debt package and standstill extension with lenders

ISOSCELES, the heavily-indebted parent of the Gateway food retail chain, said yesterday that its lending banks had agreed a restructuring package for its £1.4bn debts.

Its current standstill agreement, under which debt repayment was suspended last year pending agreement on the restructuring, has been extended beyond its May 28 deadline. This is to allow time for shareholders to decide on the package at an extraordinary general meeting likely in the last week of June.

The restructuring, put to lenders in early April, creates a new company, Gateway Holdings, to assume responsibility for £500m of debt, while the balance of debt, some £923m will remain in Isosceles in a restructured form.

Gateway Holdings will run the Gateway Foodmarkets Group and will be wholly-owned by Isosceles, a highly leveraged management buy-out vehicle. It ran into trouble when recession and the slump in values of retail businesses meant that disposals planned to cover debt could not be made at high enough prices.

Gateway Holdings will have no liability for Isosceles' debt and in effect will be "ringfenced" from the borrowings.

Gateway this week announced a price and promotion campaign, making permanent price reductions on between 1,000 and 1,500 lines across a range of products.

Fleming Far Eastern asset value ahead

Fleming Far Eastern Investment Trust lifted net asset value from 228.96p to 294.82p over the year to March 31. Net revenue fell to £1.89m (£2.42m), or 1.18p (1.53p) per share. The dividend is cut from 1.5p to 1.1p.

Spring Ram board wins day on auditor

By Ian Hamilton Fazey, Northern Correspondent

ANGRY small shareholders tried but failed to oust Arthur Andersen as auditor to Spring Ram, the Yorkshire manufacturer of kitchens, bathrooms and home improvement products, at the company's AGM in Leeds yesterday.

They won on a show of hands by 48 to 40, but Mr Bill Rooney, the chairman, said he had 105m proxy votes for reappointment of the accountancy firm and only 8m against. The vote on the floor was re-taken and most of those against then abstained.

However, this was the only blemish on the day for Mr Rooney, Spring Ram's founder. Shareholders backed him unanimously after he apologised for management mistakes and promised appointment of a second non-executive director and a strong finance director within weeks.

The value of Spring Ram's shares has halved recently after two surprises. First, the company revealed false accounting at a subsidiary. Then shares were suspended briefly to allow an announcement that last year's pre-tax profits would be nearly £13m below expectations of £39m after Arthur Andersen had insisted on a more conservative approach.

Clearly nervous, Mr Rooney told the packed meeting of about 200 people that a senior manager in Balterley Bathrooms, a subsidiary, had overstated profits to impress his superiors, mainly by manipulating stock figures.

Although no money was stolen, Mr Rooney said, the fraud was so clever that neither management nor auditors could have reasonably been expected to spot it.

Mr Rooney added that all new accounting standards had been, or would be, introduced ahead of obligations. New systems also ensured that no manager could act alone to falsify figures, reducing risks of problems arising again.

Spring Ram's report and accounts and dividend were approved unanimously on a show of hands, as was the election of Mr Roy Barber, a company doctor. Mr Barber will supervise internal audit and oversee corporate governance policy.

Mr Rooney said Spring Ram had continued investing heavily throughout the recession. "But we didn't expect 4½ years of depressed times. Had we known, we would have phased developments."

Trading areas are 'battleground for market share'

Wolverhampton & Dudley static in chilly climate

By Philip Rawstorne

WOLVERHAMPTON & Dudley Breweries, reporting a marginal increase in first-half profits, said yesterday that its trading area in the Midlands and north-west England had become, "the battleground for market share" between the national brewers.

"We cannot avoid some of the effects," said Mr David Miller, chairman.

Pre-tax profits for the six months to March 28 edged ahead from £16.52m to £16.65m in a trading climate that was "still pretty chilly." Excluding property and investment disposals, profits declined from £16.1m to £15.97m.

Earnings per share rose slightly from 17.6p to 17.7p while the interim dividend is increased 9.3 per cent to 4.7p.

Trading profit of £18.55m was 3.8 per cent higher on turnover 5.3 per cent ahead, at £107.3m, with a full contribution from the Camerons brewery acquisition.

Beer volumes declined by "a not discouraging" 0.6 per cent. Operating margins were under pressure from competition in the wholesale trade, and from rising costs of maintaining service standards to pub customers, but brewing costs were reduced. Trading margins fell from 17.7 per cent to 17.3 per cent.

Mr Miller said: "We aim to avoid the disruption to margins in the wholesale trade arising from the larger brewers' market share ambitions. Improved profitability is much more likely to be achieved by lower production and distribution costs and an improvement in managed house throughputs than through the wholesale trade."

Margins improved in the tenanted estate, but pubs classified as "boozers" suffered from the recession, particularly in the building industry. "It is the skilled hourly-paid man who has been the backbone of trade in these pubs. For him, this recession has been interminable, and he is hard up," said Mr Miller.

Camerons expanded its distribution and pub estate in north -east England, but operating profits do not yet match the carrying costs of the acquisition made in January last year.

Aggressive bidding for conference and business trade lifted hotels' turnover by 9.7 per cent.

See Lex

300 jobs go in East Midlands Electricity cost cutting move

By Michael Smith

EAST MIDLANDS Electricity is to cut 300 jobs and reduce the size of its headquarters in a restructuring of the core business which will also see a rationalisation of the board of directors.

Yesterday's announcement is the latest in a series of cost-cutting moves by electricity companies. Like several others in the sector, East Midlands is consolidating the number of districts and sharpening its focus on profits.

Thirteen districts, which have in the past been cost centres, will be turned into seven profit centres. The management of profits from buying and selling electricity will be devolved to the regions.

At the top of the company the 11-person board is being cut by two.

Mr Keith Jackson is taking early retirement and Mr Philip Champ, while retaining responsibility for generation and overseas operations, is relinquishing his board position.

The restructuring of the distribution business will cut annual operating costs by about £10m.

The job losses, which will take place over 18 months, are expected to cost £13m, but Mr John Harris, chairman, said this was already built into cost forecasts.

The 300 job losses follow a reduction of 100 in the last year and 400 since privatisation. Mr Harris said the move was part of a gradual process, rather than a step change.

Middle management jobs would be cut, said Mr Harris. Others would move out of head office to the business units.

The seven business units are Coventry, Derby, Leicester, Lincoln, Milton Keynes, Northampton and Nottingham.

The new structure incorporates a six month pilot project at Derby which the company says resulted in wider spans of control and shorter lines of communication.

New computer trade association

A GROUP of small UK personal computer companies yesterday launched a new trade association with the object of improving the reputation of suppliers who sell "direct" - through newspaper and magazine advertisements, writes Alan Cane.

Mr Keith Warburton, a personal computer consultant and founder of the Personal Computer Direct Marketers' Association said it had been formed after the failure of a number of direct marketing companies in recent months.

The PCDMA will not reimburse customers for money lost if a company fails but it insists that its members meet minimum standards including a two year track record.

The larger personal computer companies have shown little interest in joining the association.

Net asset value edges up at Worth

The net asset value of Worth Investment Trust stood at 26.7p at March 31 against 25.2p.

Net revenue for the year was £110,000 compared with losses of £16,000. The dividend is held at 0.1p, payable from earnings of 0.35p (0.05p losses).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Albion ......int	1.6	July 8	1.2	-	3
Ferraris § ......int	0.75	July 9	-	-	1
Fleming Far East......fin	1.1	July 3	1.5	1.1	1.5
Richards ......int	1.07	July 1	1.07	-	4
Wolv'n & Dudley ......int	4.7	July 2	4.3	-	11.4
Worth Invest ......fin	*0.1*	*June 29*	*0.1*	*0.1*	*0.1*

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For 9-month period.

Clive Smith faces creditors in fight against bankruptcy

By Peggy Hollinger

Kelvin Myles: managed many of Clive Smith's offshore interests

MR CLIVE SMITH, the Midlands entrepreneur known for his involvement in the flotations of several natural resources companies in London in the 1980s, will seek to avoid personal bankruptcy next month when he faces creditors demanding repayment of about £20m.

Mr Smith has been involved in UK quoted companies such as Butte Mining, Geevor, Petranol, Richmond Oil & Gas and Globe Petroleum, formerly called Far East Resources.

The Serious Fraud Office has launched an investigation into at least two, Richmond and Butte, following a raid on the offices of Bryant & Co, a Jersey accountant last year.

Mr Smith is due to meet a group of 15 creditors in London on June 7 where he will propose to repay approximately 8p for every pound of debt owed, against 0.1p if he is forced into bankruptcy.

The meeting was scheduled for Monday but was adjourned following questions from some creditors over certain debt claims. In order to be approved, the arrangement must be approved by creditors representing 75 per cent of the debt.

Some £12m is being claimed by Richard Pearce & Sons, a Hong Kong registered company. The address for Richard Pearce is listed in Mr Smith's schedule of creditors as Danore, Drogheda, Co Meath, Ireland. This is the same address as Mr Kelvin Myles, who managed many of Mr Smith's offshore interests from an accountant's office in Jersey.

A further £3.8m is being claimed by Newsham Investments, an offshore vehicle for the Smith family.

Other creditors include Société Banquaire de Paris, which a court ruled in November was owed £2.7m by Mr Smith. Last year the bank issued proceedings against him to recover this amount, the balance of a £3m loan made in 1990.

Mr Smith offered security in the form of shares in Geevor, Richmond, Butte, and two other companies, Western & Pacific and Image Store Holdings. The value of the collateral is at present estimated at £1.5m.

In his voluntary arrangement, Mr Smith has proposed to repay £12,000 in the first year of the agreement, the proceeds from his work as a "finance cum project consultant".

Mr Smith argues that he would be able to improve his contribution in the second and third years and holds out the promise of a further £1.67m payment if he is able to recover money due to the CJ Smith Life Trust.

Sticky patch for abrasive entrepreneur

Kenneth Gooding looks at the career of Clive Smith, former chairman of Petranol

MR CLIVE Smith was 25 years old when he made his first million pounds. He had started with one truck, built up a transport company and sold it to Unilever.

Mr Smith had expanded the business by trucking subsidised meat from the Irish Republic to Turkey. He claims that, by the time he sold it, Comarte Europa International, was the biggest international refrigerated transport company in the European common market.

That sale was in 1974, paving the way for Mr Smith, a self-made man with a flair for deal-making, to move on to promote the Stock Exchange flotation of several natural resources companies in the 1980s.

At the moment his career has hit a sticky patch. The share prices of many of the companies in which he has substantial shareholdings have collapsed. The Serious Fraud Office is investigating possible irregular share dealings in two of them – Butte Mining and Richmond Oil & Gas - and he is negotiating with his creditors.

He had a three-year contract with Unilever to continue managing Comarte but his style did not match that of a big corporation and the contract was ended by mutual agreement after 12 months.

He subsequently owned and managed companies in industrial property, plant hire, industrial chemicals and car hire and leasing. He once told a colleague that he became fascinated by commodity trading. Then one day which is for ever etched in his memory, he made a £100,000 profit in the morning but lost £250,000 in the afternoon. "I realised commodity trading could become addictive so I quit," he said.

Mr Smith had his first taste of what the natural resources sector had to offer in September 1977 when he acquired Parkland Colliery, a private coal mine needing modernisation. It was a wonderful deal. Parkland had cash in its books but he bought the company on deferred terms. He had already established, drawing on his transport and plant hire experience, that Parkland owned a great deal of good, saleable mechanical equipment and plant. Asset sales covered the whole of the purchase price.

Colleagues say the simplicity of the Parkland deal made an indelible impression on Mr Smith. "He always looks for deals where there is no downside risk for him," said one.

In 1978 he acquired Podmore Hall Colliery Company which had a licence to mine substantial coal reserves. By 1981 Podmore had become the biggest privately owned coal mine in the UK. That year both coal companies, which had been bought for a total of £250,000, were sold to Anglo International Mining for £1.875m.

Mr Smith said at the time that he sold out of coal because he felt that investment in the production and development of oil and gas would show a greater return on his capital. So he invested some of the proceeds in the US oil and gas industry. In September 1981, with some partners, he set up a chemical trading company to supply the oil and gas industry. Through the contacts this brought, Mr Smith was introduced to some oil and gas prospects and in October 1982 his company acquired its first interest in this sector.

In 1983 the company changed its name to Petranol and in February the following year it was launched on the London Stock Exchange. Some 2.8m shares, or 27 per cent of the equity, were offered for sale at 125p a share, valuing Petranol at £13m. Mr Smith continued 3.8m shares or 36.5 per cent, worth, at the launch, £4.75m.

The Petranol launch forced Mr Smith into the public eye for one of the very few times in his career. It was a time when Dallas was among the most popular television shows so for a while newspapers were calling him "the JR of the Potteries".

In fact, his home is between Nantwich and Crewe and some of his acquaintances call him, unkindly, because he lost a thumb in a car accident, "the nine-fingered, fat man from Cheshire." This is not entirely fair because, although a little portly, Mr Smith is not fat. One acquaintance says: "It is just that he looks as if he lives on chip butties."

A self-made man with a flair for deal-making, he promoted the Stock Exchange flotation of several natural resources companies in the 1980s. However, the share prices of many of the companies in which he has substantial shareholdings have collapsed. The Serious Fraud Office is investigating possible irregular share dealings in two of them – Butte Mining and Richmond Oil & Gas - and he is negotiating with his creditors.

He has a benevolent but forceful north country manner and can be very charming. But he can also be volatile if he is crossed. "He likes to bark at people and uses lawyers letters and writs a lot," said one business colleague. Another said: "He is a guy who is easy to fall out with. He can be very charming but he can be abrasive too."

Like many north country businessmen, often with good reason, Mr Smith is very distrustful of the City and its establishment.

This distrust intensified after the Petranol board in March 1986 voted him out of the chairmanship. He subsequently left the board but was back in the limelight again only weeks later when Petranol received an all-paper bid worth £21m from another small oil and gas company, Inoco.

The Takeover Panel intervened and took the unusual step of ruling that Inoco and Mr Smith had been acting in concert. It said Inoco should add a cash alternative to its offer. Inoco did not have the financial resources for this so it had to drop the bid. At that time it was said Inoco owned 6.6 per cent of Petranol and Mr Smith 25 per cent. They undertook to reduce their combined holdings to below the 29.9 per cent which automatically triggered a bid.

Mr Smith seems to prefer to keep in the background, often not even taking a non-executive directorship in those companies he has helped bring to market or in which his family trusts have big shareholdings.

Consequently he uses a large number of people to do his bidding. One person who has had business dealings with Mr Smith says: "He has more accountants and advisers than anyone I have ever known. He has also used up more lawyers than anyone I have ever known."

Mr Smith recently described himself as "an independent businessman who acts internationally as an adviser and consultant in the sale and purchase of companies, generally with oil, gas or mineral assets in the US."

Virtually all of his interests are held in offshore trusts. "My entire affairs are dealt with offshore by different administrators," he said recently. He has told acquaintances that this is because he does not trust the City of London and its representatives.

In spite of this dislike, Mr Smith took a substantial shareholding in Corporate Broking Services, set up by Mr David Wilkinson after he left TC Coombes, another stockbroker. Mr Smith had several dealings with Coombes which in the mid-1980s was one of the most aggressive broking houses in the natural resources sector. Coombes went into receivership and CBS went into liquidation in 1991.

These brokers were involved with Mr Smith in the Stock Exchange flotations of Butte Mining, Richmond Oil & Gas and Globe Petroleum (launched first as Far East Resources). Mr Smith also took a substantial shareholding in another resource company, Geevor, which started as a Cornish tin miner.

Acquaintances speak in awe of Mr Smith's capacity for hard work. He frequently commutes on the 7am train from Crewe to London and does not return until 11 at night. "You can often find him in his office at midnight," said one.

In his more mellow moods, Mr Smith frequently tells people that he is not interested in money for himself but is working to secure the future of his two daughters.

However, some acquaintances suggest that, like many entrepreneurs today, he is not as rich as he once was and that many of his assets are pledged to the banks as collateral for loans.

COMPANY NEWS: UK

Brent bears brunt of recession

Trading at the chemicals group has hit a wall, reports Richard Gourlay

LORD LANE of Horsell, chairman of Brent Chemicals and grandee of the Conservative party, is not a popular man in the City. In March his chairman's statement accompanying the results rang with confidence for the future; though European markets were weak, the US market was improving, and he praised the successful strategy of expanding internationally.

By this Thursday, his view had changed *dramatically*. Lord Lane told the AGM that profits for the speciality chemicals company for the first half would be well below those for the same period in 1992.

US recovery has not worked through to industrial companies, and in continental Europe – which provides 55 per cent of profits – recession, particularly in Germany and Spain, has hit hard. As a result, the shares shed 26p to 103p, down from the 165p high in March, leaving analysts floundering as to where they should pitch forecasts for the year.

From owning a share that carried an above average yield and some recovery potential, shareholders must now question whether their dividend will still be paid – or at least whether it will be covered by earnings.

Mr Steve Cuthbert, chief executive, chooses not make a profits forecast. Chastened and disappointed, he does say the following: "A shareholder concerned if he would get a dividend or not would be over-reacting to the position."

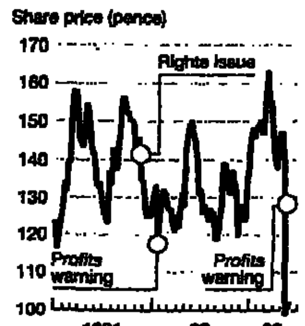
But the abrupt turnround in trading is not the first time Brent shareholders have been disappointed by their board. The company's progress has been funded partly by organic growth. But it has also had a string of placings and rights issues, to the extent that earnings per share are lower now than they were in 1987.

Most recently Brent followed a 1991 rights issue to buy Hebro in Germany with a March 1992 profits warning. Credibility was just beginning to be restored when this latest warning came. While the Stock Exchange might applaud Brent for favouring a public statement, rather than a series of meetings with key brokers, the City would have preferred more realism first time around.

As often happens when a company's trading hits a wall, attention has focused on the balance sheet it must now fall back on. While the company has called this "strong" and claimed no net debt at the end of last year, some analysts remain concerned. With unfortunate timing, Hoare Govett's long time bear of Brent, Mr Martin Evans, turned a buyer only days before the latest profit warning, but even then pointed to the creeping level of debt.

Brent Chemicals

Share price (pence)



Source: FT Graphite

One reason for this is deferred payments for past acquisitions. Payments of £7.8m this year – £5.7m is payable in 1994 – would have pushed gearing to 40 per cent by the end of 1993 on the pre-warning figures. Mr Cuthbert recognises it will be somewhat higher now.

But Brent does not include another £6.5m of finance leases or £12m of preference shares, which some analysts think should be considered as part of debt. It is stretching definitions to call this a strong balance sheet, although Mr Cuthbert says interest is covered seven times by profits.

Operationally, Brent is facing considerable constraints. It has a limited scope to improve profits in Germany – which accounts for 30 per cent of income – or in the rest of Europe, which together provided 55 per cent of the £11.5m profits in 1992. With the exception of British Vita, Brent has the highest relative exposure to the weakening Continental economy of any UK chemicals company.

And the company has already enjoyed 18 months of the usual cost cutting and overhead control medicine. It therefore remains heavily dependent on these unpromising economies, slowing their slide into recession.

Sales of some of its products – packaging inks and coatings, and metal treatment chemicals – are heavily dependent on an economic upturn in its markets - a factor which even better management could not control.

Brent now has an exceptionally tough task to restore credibility and some shareholders may decide they have had enough.

Its message about European and US markets has not been missed by a wider audience. Following Brent's warning, Burmah Castrol shares fell yesterday on fears of its German exposure through its Foseco subsidiary. Courtaulds and Hickson also slipped. Recovery may be around the corner, but it is turning out to be a longer corner than many imagined.

NEWS DIGEST

Richards £0.33m in the red

THE COLLAPSE in spending on home furnishings in the second half of the period left pre-tax profits at Richards, the Aberdeen-based textile company, with a pre-tax loss of £326,000 for the six months to March 31.

The comparable loss was £1.94m, restated for FRS 3, after taking in the loss of £1.65m on disposal of the linen activities. Operating losses this time were £349,000 against losses of £76,000, which included profits on continuing activities of £277,000.

In the second half the performance has improved with the housing market recovering and exports increasing.

Turnover was £34.6m (£37m) of which £144,000 (£1.88m) related to discontinued activities. Losses per share came out at 0.63p (5.97p). The interim dividend is held at 1.07p.

Albion advances 50% to £507,940

Pre-tax profits of Albion, the Northern Ireland-based maker of tailored mens wear, showed a 50 per cent improvement, from £338,378 to £507,940, in the half year ended March.

Turnover was up by £1.72m to £9.14m. Earnings per share came out at 9.6p (5.6p) and the interim dividend is being raised to 1.6p (1.2p).

The company said its order book was satisfactory, bearing in mind that trade on the high street remained highly competitive.

Further profit improvement is dependent on growth, the directors said. And with this in mind the acquisition of Maitland Menswear was finalised on April 30 this year.

Lex nets $146.6m in Arrow share sale

Lex Service, the motor distribution and leasing company, has sold 4.62m Arrow Electronics shares to a group of underwriters.

The shares were sold at a public offering price of $32.50 (£21.10) each. Total proceeds to Lex will be $146.6m.

Lex has also granted the underwriters a 30-day option to buy up to an additional 500,000 Arrow shares at the public offering price.

If this option were exercised in full, Lex would no longer retain any interest in Arrow.

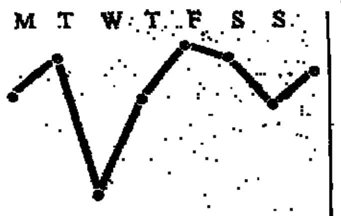
Finsbury Smaller plans to raise £10m

Finsbury Smaller Companies Trust plans to raise about £10m through a placing and open offer of C ordinary shares and an open offer of C preference shares.

The C ordinary shares and C preference shares will convert into ordinary shares and zero dividend preference shares respectively by December 31.

The issue is fully underwritten by SG Warburg Securities and it is expected that dealings will begin in early July.

M T W T F S S



ECONOMIC DIARY

TOMORROW: Cambodians vote in UN-organised elections.

MONDAY: Balance of trade with countries outside the European Community (April). Second African/African-American summit in Libreville (until May 29). European Community agriculture ministers meet in Brussels to agree 1993-94 farm price package (until May 25). European Parliament in session in Strasbourg. Office of Electricity Regulation publishes annual report on electricity supply.

TUESDAY: *Capital* expenditure and stockbuilding (first quarter-provisional). UK output, income and expenditure (first quarter). US consumer confidence (May). National conference in Louisville, Kentucky, to follow up last year's Rio earth summit (until May 29). Nato defence planning committee and nuclear planning group hold ministerial session in Brussels (until May 26). European Community development council meets in Brussels. Start of two-day Financial Times conference on "Asian Electricity-The Growing Commercialisation of Power Generation" in Singapore. International conference on railways at Wembley Conference Centre. Preliminary figures from Thorn EMI.

WEDNESDAY: New construction orders (March-provisional). US durable goods (April). Commonwealth of Independent States summit meeting in Moscow. CBI holds conference "Private finance for Public Projects" in London. Speakers include Mr Norman Lamont, Mr John MacGregor and Mrs Virginia Bottomley. Preliminary figures from Courtaulds.

THURSDAY: Engineering sales and orders at current and constant prices (March). New vehicle registrations (April). Energy trends (March). US jobless claims. BankAmerica Corp annual meeting.

FRIDAY: Confederation of British Industry publishes trends enquiry (May). US gross domestic product (first quarter-preliminary); merchandise trade and balance of payments (first quarter). House of Commons rises for Whitsun recess (until June 7).

LIFFE EQUITY OPTIONS

Option		Calls Jul	Oct	Jan	Puts Jul	Oct	Jan
Allied-Lyons	500	35	48	57	13	22	27
(*530)	550	11	25	32	44	48	54
Argyll	300	16	25	30	19	24	28
(*300)	330	5½	14	22	40	43	47
ASDA	67	6½	9½	-	4½	8	-
(*67)	76	3	6	-	10	13½	-
[illegible]							
Storehouse	[illegible]						
(*199)	200	13	21	25	14	18	23
Trafalgar	90	12	16½	17	5	8	9½
(*96)	100	6½	10½	12	8	11	16
Unilever	950	68	88	102	11½	21½	29
(*996)	1000	32	58	72	28	43	50
Option		**Jul**	**Oct**	**Feb**	**Jul**	**Oct**	**Feb**
Grand Met	390	24	32	44	15	22	30
(*398)	420	10	21	28	33	50	47
Ladbroke	180	14	20	26	12	19	24
(*180)	200	6	12	18	25	32	36
Utd Biscuits	390	29	42	45	18½	25	33
(*396)	420	20	27½	35½	35	42	50
Option		**Jul**	**Oct**	**Dec**	**Jul**	**Oct**	**Dec**
Fisons	160	14	22	28	13	18	20
(*161)	180	6	14½	17	25	31	33
Option		**Aug**	**Nov**	**Feb**	**Aug**	**Nov**	**Feb**
Brit Aero	300	48	60	71	18	28	32
(*326)	330	31	44	57	32	40	48

Option		Calls Aug	Nov	Feb	Puts Aug	Nov	Feb
BAT Inds	500	68	80	97	20	38	46
(*537)	550	39	54	70	40	65	70
BTR	550	54	62	70	5	14	18
(*591)	600	20	32	40	24	36	39
[illegible]							
BAA	700	57	70	77	14	21	28
(*745)	750	28	42	50	36	44	48
Thames Wtr	460	48	60	52	8	18	18
(*498)	500	16	25	29	28	35	38
Option		**Jun**	**Sep**	**Dec**	**Jun**	**Sep**	**Dec**
Abbey Natl	390	28	39	48	4	13	19
(*411)	420	9	22	33	18	27	33
Amstrad	30	3½	5½	7	2	3½	4½
(*31)	35	1½	4	5	4½	7	7½
Barclays	420	45	63	65	3	12	18
(*457)	460	15	28	41	15	29	38
Blue Circle	240	18	28	34	4½	14	19
(*252)	260	7½	18	24	15	26	30
British Gas	280	11	20	25	4½	10	17
(*285)	300	3	11	15	18	21	27
Dixons	210	17	25	33	5½	12	19
(*212)	220	8	16	23	14	25	30
Eurotunnel	390	23	45	60½	16½	33	44½
(*393)	420	9½	30	45½	35	51	61½

Option		Calls Jun	Sep	Dec	Puts Jun	Sep	Dec
Glaxo	600	42	69	82	11	30	50
(*626)	650	15	43	56	36	56	77
Hillsdown	140	8½	15	17	7	13	16
(*140)	160	2	8	10	23	27	29
Lonrho	110	11½	16	20½	4	10	12½
[illegible]							

EURO FT-SE INDEX (*2811) [illegible]

FT-SE INDEX (*2811)

	2675	2725	2775	2825	2875	2925	2975	3025
CALLS								
May	148	98	48	½	½	½	½	½
Jun	146	103	66	38	19	7	3	1½
Jul	-	123	-	59	-	22	-	7
Sep	-	-	-	107	-	-	-	38
Dec †	-	-	-	-	-	105	-	-
PUTS								
May	½	½	½	3	53	103	153	203
Jun	10	16	27	50	81	120	165	214
Jul	-	27	-	63	-	127	-	210
Sep	-	-	-	81	-	-	-	-
Dec †	-	-	-	107	-	180	-	220

May 21 Total Contracts 37,037
Calls 22,296 Puts 14,741
FT-SE Index Calls 2,831 Puts 7,345
Euro FT-SE Calls 2,746 Puts 2,985
*Underlying security price. †Long dated expiry mths.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	36	HSBC (75p shs)	39	Ratners	3	Brit Land	7
Allied-Lyons	50	Charter Cons.	52	Hanson	20	Reed Intl	52	Land Sec.	40
Amstrad	3½	Comm Union	52	ICI	75	Sears	9	MEPC	30
Astec (BSR)	3½	Courtaulds	48	Ladbroke	15	SmKl Bchm A	40	■ OILS	
BAT Inds	75	Eurotunnel	30	Legal & Gen	38	TI	28	Arcon Intl.	6
BOC	56	FKI	12	Lex Service	19	TSB	12	Aviva Pet	5
BTR	41	FNFC	7	Lloyds Bank	45	Tesco	20	BP	21
Barclays	30	Forte	14	Lonrho	7	Thorn EMI	70	Burmah Castrol	60
Blue Circle	22	GKN	40	Lucas Inds	13	Tomkins	22	Premier Cons	3
Boots	42	Gen Accident	31	Marks Spencer	25	T & N	15	Shell	36
Bowater	40	GEC	22	NatWest Bank	30	Unilever	72	■ MINES	
Brit Aerospace	24	Glaxo	65	P & O Dfd	40	Vickers	9	RTZ	52
British Steel	8	Grand Met	40	Racal Elect	12	Wellcome	75		
Brit Telecom	28	GRE	15	Rank Org	53	■ PROPERTY			

FT FIXED INTEREST INDICES

	May 21	May 20	May 19	May 18	May 17	Year ago	*High	*Low
Govt Secs (UK)	94.94	94.89	94.90	94.56	94.63	89.58	96.04	93.28
Fixed Interest	111.33	111.25	111.07	110.93	110.87	105.39	113.83	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
May 20	91.7	101.1
May 19	100.0	100.5
May 18	125.0	100.2
May 17	86.3	97.3
May 14	92.4	97.5

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Gold market surges still higher

GOLD CONTINUED to hold centre-stage on the world commodities scene this week as options-related activity added to the upward momentum generated at the end of last month by the concerted operations of two high-profile international investors.

Most buyers seemed to have taken the day off on Monday following last week's exertions, but with producer selling not making its expected appearance the market was still able to edge up a few cents. That bolstered the buyers confidence and they had little trouble pushing the price through resistance at $370 a troy ounce on the way to Wednesday's 27-month high of $384.50 an ounce on the London bullion market.

That was more than $40 above the level ruling four weeks ago when the market learnt that Sir James Goldsmith had sold $400m worth of shares in Newmont Mining, the biggest US gold producer, to Mr George Soros and had used some of the money to buy gold options.

A retracement from the mid-week peak was linked by some New York traders to unconfirmed reports that Mr Soros had been selling gold. They said the reports had "spooked" the market, although analysts were generally highly sceptical about them. "They haven't achieved any credibility," Mr George Milling-Stanley, analyst at Lehman Brothers told the Reuter news agency. But he thought they might nevertheless be doing the market a service by helping to "shake out some of the silly money".

The shake-out, which took the gold price down to $372 at one stage, seemed to be over yesterday, however, when it consolidated to end at $375.15 an ounce, up $1.90 on the day and $7.35 on the week.

Traders thought the short-term technical outlook remained bullish and there was optimism for the longer term. In a report issued yesterday Union Bancaire Privee, a Geneva-based private bank, suggested that a further rise in the gold price to between $380 and $400 an ounce looked justified in coming months. It said market fundamentals had improved with production levelling off, demand picking up and sales by Russia and central banks likely to diminish.

Looking still further ahead Mr Paul Lennie, deputy managing director of Mase Westpac, a leading bullion house, told mining analysts in London that he expected the bull market to be maintained over the next year. In the absence of central bank selling and with diminished forward sales by producers the gold price had to rise, he said, and heavy overhead resistance at $440 an ounce was likely to be tested "sometime in the next 12 months".

At the London Metal Exchange copper prices continued last week's rally, helped by a 6.7 per cent rise in April US housing starts, but failed to break resistance at the equivalent of $1,850 a tonne for the three months delivery contract. That level was briefly exceeded yesterday as the market continued to defy bearish fundamentals and shrugged off a further rise in exchange warehouse stocks to a nine-year high. But the price slipped back to just below $1,840 a tonne at the close. In sterling terms the three months position was £37 up on the week at $1,201.50 a tone.

Lead was again the weakest LME market as warehouse stocks rose to a fresh record of 254,125 tonnes. The three months price slide another £9 on the week to a 6¾-year low of £265.25 a tonne.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+4,625	to 1,798,975
Copper	+2,125	to 413,675
Lead	+3,275	to 254,125
Nickel	+2,154	to 94,656
Zinc	+6,675	to 655,375
Tin	-125	to 20,360

Three months tin reversed an early rise to end $37.50 down on the week at $5,505 a tonne. It had touched $5,500 yesterday morning before finding support.

The market derived little encouragement from a meeting last weekend of the Association of Tin Producing Countries, from which officials were reported to have emerged confused about what action to take to try to shore up world prices.

Mr Redzwan Sumun, the association's executive secretary said its members, who account for about 60 per cent of world tin production, were debating whether it was worthwhile carrying on with their export quota scheme. The ATPC estimates world tin stocks at about 40,000 tonnes, double the level it had originally set as the target for the end of this year.

Producers outside the ATPC, like Peru, Burma, Vietnam and Portugal, have been increasing their tin exports, while the foreign exchange-hungry former Soviet Union, which used to be a big importer, has become an exporter.

London's robusta coffee market put in a stronger performance as short positions were covered against the possibility of progress being made at weekend producer talks on proposals to withhold beans from the market in an effort to push prices to more a remunerative level. The July position finished at $947 a tonne, up $19 on the day and $61 on the week.

Technically-inspired selling weighed down raw sugar prices and New York's October futures contract was trading late yesterday at 12.31 cents a lb, down 0.50 on the week, having moved below 12 cents at one stage.

Nearby prices are still some 30 per cent higher than they were three months ago but investors are looking for signs of improved demand before restoring the uptrend.

On the supply side there was more bullish news this week when C. Czarnikow, the London broker, cut its forecast of world production in 1992-93 by 3m tonnes to 111.6m tonnes. It now predicts a supply deficit 2.84m tonnes.

Richard Mooney

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Fri May 21	Day's change %	Thu May 20	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	127.72	+0.08	127.61	2.17	4.09
2	5-15 years (23)	146.31	+0.07	146.20	2.28	5.22
3	Over 15 years (10)	157.02	+0.06	156.93	2.54	3.48
4	Irredeemables (6)	175.37	+0.21	174.99	0.89	6.12
5	All stocks (64)	143.03	+0.08	142.92	2.30	4.58
	Index-Linked					
6	Up to 5 years (2)	183.57	+0.06	183.46	0.70	1.92
7	Over 5 years (11)	173.22	+0.17	172.93	1.07	1.72
8	All stocks (13)	173.50	+0.16	173.23	1.03	1.75
9	Debs & Loans (66)	127.71	+0.12	127.56	2.37	4.24

	AVERAGE GROSS REDEMPTION YIELDS		Fri May 21	Thu May 20	Year ago (approx.)	1993 High		1993 Low	
	British Government								
1	Low	5 years	7.15	7.15	7.98	7.22	29/4	6.33	19/2
2	Coupons	15 years	8.03	8.03	8.82	8.37	12/1	7.54	18/3
3	(0%-7¾%)	20 years	8.25	8.25	8.82	8.64	20/1	7.83	8/3
4	Medium	5 years	7.39	7.39	9.07	7.58	11/1	6.73	15/3
5	Coupons	15 years	8.48	8.48	8.86	8.83	19/1	8.06	8/3
6	(8%-10¾%)	20 years	8.56	8.56	8.84	9.05	20/1	8.23	13/4
7	High	5 years	7.61	7.62	9.27	7.78	11/1	6.89	8/3
8	Coupons	15 years	8.72	8.71	9.00	9.11	20/1	8.27	8/3
9	(11%-)	20 years	8.76	8.76	8.95	9.20	20/1	8.36	8/3
10	Irredeemables(Flat Yield)		8.61	8.63	9.03	9.05	20/1	8.29	13/4
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	3.02	2.87	3.99	3.02	21/5	1.82	12/2
12	Inflation rate 5%	Over 5 yrs.	3.58	3.56	4.34	3.89	14/1	3.38	18/3
13	Inflation rate 10%	Up to 5 yrs.	2.25	2.19	3.26	2.25	21/5	0.82	12/2
14	Inflation rate 10%	Over 5 yrs.	3.39	3.38	4.15	3.72	14/1	3.19	19/3
15	Debs &	5 years	8.99	8.99	10.39	9.08	4/5	8.41	18/3
16	Loans	15 years	9.46	9.47	10.15	9.94	19/1	9.14	18/3
17		25 years	9.61	9.62	10.05	10.10	19/1	9.38	10/3

Directors reject Icahn's bid for E-II Holdings

By Jeremy Bennallack-Hart in New York

MR CARL ICAHN has been rejected in his multi-billion dollar bid for E-II Holdings, the bankrupt parent company of Samsonite luggage, Culligan water softener and McGregor clothing.

The creditors committee of E-II advised the directors to turn down the financier's $1.8bn all-cash offer made last week. E-II has its own reorganisation plan that will be put before a bankruptcy court on Monday.

The directors agreed with the rejection, saying that the reorganisation plan was "in the best interests of all of E-II's constituencies, including its subsidiaries and employees," because it allowed creditors to share in any appreciation in the value of the company.

The creditors committee indicated in its response to the bid that it "was sceptical that a sale of E-II's assets at this time would maximise value". But, a company statement added, the committee noted it would recommend that the new board, which will take office after consummation of the reorganisation plan, "give consideration to" Mr Icahn's proposal.

Mr Icahn, however, told reporters after his offer was rejected that he would be at Monday's court hearing "with the cash".

E-II, which was once run by Mr Meshulam Riklis, husband of actress Miss Pia Zadora, filed for Chapter 11 protection in July after a "bondholder revolt" led by Mr Icahn scuttled restructuring plans.

Mr Icahn owns almost 32 per cent of the group's junior bonds.

The company's latest reorganisation plan is supported by rival deal-maker Mr Leon Black, whose company – Apollo Advisers - speaks for 24 per cent of the senior bonds and 27 per cent of the junior bonds.

Nintendo ahead as sales rise strongly

By Michiyo Nakamoto in Tokyo

NINTENDO, the Japanese company that has established a pre-eminent position in the surging global video games market, yesterday reported a 5 per cent increase in pre-tax profits to Y163.8bn ($1.48bn) for the year to the end of March, as sales of its games continued to rise strongly.

Nintendo said demand for its most advanced games machine, the Super Nintendo Entertainment System, released in Europe during the fiscal year, grew strongly to support an 11 per cent rise in sales to Y562.75bn from Y507.50bn the year before.

Net income rose 2 per cent to Y87.16bn and the directors are proposing to increase the net dividend by Y10 to a total of Y70 per share for the year.

Although Nintendo managed to stage a buoyant performance, it was not immune from the effects of the worldwide economic slump and the impact of the sharp appreciation of the yen.

The rise in earnings was however much lower than in the previous year when pre-tax profits rose 11 per cent and net profits by 21 per cent.

Nintendo, which has an export ratio of more than 60 per cent, expects to face a difficult trading environment in the year ahead, with the yen forecast to continue its rise and the Japanese and European economies unlikely to recover significantly in the near term.

The company faces growing competition in the games market not only from Sega, its Japanese arch-rival which has been building up market share in overseas markets, but also from new entrants into the market such as the large consumer electronics manufacturers.

● Kyocera, the leading Japanese manufacturer of semiconductors, reported a 7.5 per cent fall in pre-tax profits to Y38bn for the year to March due to weak domestic demand, foreign exchange-rate considerations and lower interest rates, writes Wayne Aponte.

Net profits slipped by 13.9 per cent to Y20bn while sales dropped 5.2 per cent to Y300bn.

The company, based in Kyoto, plans to reduce expenses in an effort to restore profitability amid the nation's soft economy. It expects a 3.3 per cent increase to Y39.3bn in pre-tax profits for the current year on sales of Y316bn, up 5.1 per cent.

Canadian airline hit by two setbacks

By Bernard Simon in Toronto

CANADIAN Airlines International has suffered two potentially serious setbacks in its struggle to remain in the air as Canada's second leading airline.

Tokyo Leasing, a creditor of the airline, said yesterday that it would not support financial restructuring proposals in their present form, and declared Canadian in default on a Y10bn ($90m) loan.

In addition, a Canadian newspaper reported yesterday that the National Transportation Agency would urge the government to reject a proposed alliance between Canadian and American Airlines of Dallas.

The link between Canadian and American, which includes a C$246m (US$194m) equity injection by the US carrier, is crucial to Canadian's survival. Canadian has warned that it would collapse if the deal did not go through.

The NTA was reported to be unhappy with provisions of the deal which would give American Airlines control over some aspects of Canadian's business, including large capital expenditures. Under Canadian law, foreign shareholders are limited to a 25 per cent stake in a Canadian airline.

Canadian Airlines officials were not available for comment yesterday morning.

Ricoh soars 52% in wake of restructuring

By Wayne Aponte in Tokyo

RICOH, a leading Japanese office automation equipment maker, yesterday announced a 52.2 per cent rise in pre-tax profits to Y11.6bn ($9m) for the year ended in March, and attributed the increase to its recent restructuring efforts.

Net profits rose by 1.8 per cent to Y4.9bn for the year, in spite of a decline in sales of 3.1 per cent to Y651.8bn. The Tokyo-based company had streamlined its product range and research capacity, and strengthened sales to offset the country's economic slump.

Ricoh's shares rose by Y20 to close at Y740. Brokers said the company's stock has risen in tandem with the overall advance of the Nikkei average since mid-March. Individual investors lifted the issue beyond its previous Y735 peak.

Newmont shares prompt new gold rush

Laurie Morse examines the Denver-based group's glittering attraction for investors

Mr Gordon Parker, long-time chairman of Denver-based gold producer Newmont Mining, is remarkably composed for a man who has just received a large and largely faceless group of new bosses.

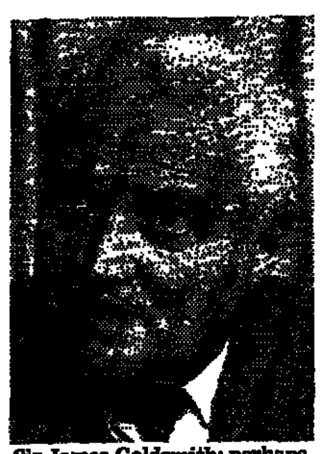
"I've been institutionalised," he jokes, referring to the portfolio and money managers who have bought nearly 30 per cent of Newmont's shares in the last six months.

Many of these investors rushed in following Mr George Soros' widely publicised purchase of a 14 per cent stake in Newmont on April 24. A spokesman for Mr Soros, who has some $7bn under global management, says the investment is passive and Mr Soros will not seek a seat on the board.

Since the Soros trade gold prices have hit their highest level since 1991 and Newmont stock is at the top of its 52-week range.

Newmont's business is, literally, pure gold. Through its 90.1 per cent ownership of Newmont Gold it is the largest gold producer in North America. And the glitter of Newmont Gold's 19.5m ounces of gold reserves, most of them in the rich Carlin Trend area of Nevada, has proved irresistible to a generation of billionaire financiers.

Mr Parker, a South African mining executive who joined Newmont in 1981, has repelled Mr T. Boone Pickens, the US corporate raider who wanted to grab Newmont's gold mines in exchange for junk bonds in 1987. That forced Mr Parker into the arms of Consolidated Gold Fields to recover some of the $1.9bn debt incurred in the Pickens battle, and he later ended up with Lord Hanson as boss when Gold Fields was taken over by the Hanson conglomerate in 1989.



Sir James Goldsmith: perhaps the world's leading gold bull

Sir James Goldsmith, the Anglo-French industrialist, who is perhaps the world's most prominent gold bull, became Newmont's main shareholder in 1990. Sir James came on board when Lord Hanson swapped Gold Field's 49 per cent stake in Newmont for about $1.6bn in US Pacific north-west forestry operations owned by Sir James and his partner Lord Rothschild.

His purchase coincided with a long-term sag in gold prices. Even the biggest gold bugs grew tired of waiting for inflation and global calamity to bolster prices. Enormous central bank gold sales, 600 tonnes net last year, stifled potential for a rally driven by the growing gap between gold demand and new production.

As gold prices headed for seven-year lows, Sir James and Lord Rothschild – through General Oriental Investments and RIT Capital Partners, their respective investment vehicles – began to wriggle out of their Newmont shares.

Newmont is a very efficiently run gold company, but investors buy gold company shares for exposure to the gold market, and the metal's performance has been dismal for the past decade. The long-term slide in gold prices has been much more bothersome to Newmont than the continual change of big shareholders.

As prices fall, all of the definitions of a gold mining company have to be re-examined. Reserves must be revalued and revenues slip, even if, as is the case with Newmont, production is rising. Newmont's income from continuing operations dropped to $90.6m, or $1.30 a share, in 1992, from $168.5m, or $2.49 a share, in 1990.

The fall was largely due to the sagging gold price. Mr Parker, despite his reputation as a conservative executive, is wildly speculative when it comes to pricing, and rarely hedges his production. Exposed to the market, Newmont Gold's average sales price dropped from $403 per ounce in 1990 to $379 in 1992.

Newmont Gold's production costs, at $210 per ounce, are among the lowest in the world, but margins have been squeezed. The company produced 1.59m ounces of gold in 1992, and plans 1.7m ounces of output this year.

Newmont's 40 per cent income drop hampered Sir James' plans to reduce his holdings, which comprised an uncomfortably large portion of his portfolio. General Oriental Investments and the RIT group managed to sell 1.8m Newmont shares to an Australian investor in October who immediately sold them on through Salomon Brothers to about 50 institutional investors. The deal received little notice, and gold prices continued their slide.

The machinations of the gold market are as opaque and malleable as the metal itself, and in a remarkable turnround,

George Soros: will not seek a seat on Newmont board

spot prices for an ounce of gold in New York rebounded from a January low of $328 to $347.50 on the April day that Mr Soros bought 10m Newmont shares from the Goldsmith group for $39.50 each.

Sir James, for his part, fanned the rally by telling the Press he had used the Newmont proceeds to buy call options on gold. His options position demonstrated he wanted to remain invested in gold, and its execution sent the traders who granted the options into the market to buy gold to back the trades. The deal worked neatly for Newmont, and for Sir James, who still held some 30 per cent of the company and sits on its board.

Three days after the widely-publicised Soros deal, Newmont unloaded its 14 per cent interest in an Australian gold producer, Newcrest, netting about $67m.

As the present gold fever which he helped to start worked its way through world markets, Sir James sold another 10 per cent stake, or 6.5m Newmont shares, to a consortium of investment banks that quickly remarketed the block in a public offering at $45.50 per share. In another public relations coup, the May 11 offering coincided with the release of the widely-followed annual survey of the gold market by Gold Fields Minerals Services, which is partly owned by Newmont.

The data showed gold demand far outstripping production last year and pointed to China as an important gold buyer.

The excitement over gold may also help Newmont raise $115m to finance a 15-year gold-leaching venture in Uzbekistan. It expects the European Bank for Reconstruction and Development to put up $90m of the project finance, but is also courting other investors to help finance the deal.

Beyond the vagaries of the gold market, Newmont is well positioned for growth. It plans to spend $68m this year to find and develop gold reserves, more than half of this outside the US.

Its core operation, Newmont Gold, is mining lower-grade ore as it goes deeper into the Carlin Trend. The company is buying a $230m roaster to process some of this ore and is developing other extraction technologies.

Newmont Mining, meanwhile, is exploring properties in Nevada, near its existing operations, and in Oregon and Idaho. In August, production will begin at the company's 40 per cent joint venture in Peru, a low-cost, high-yield leaching operation. Together, Newmont's share of proven reserves in Oregon, Peru and Uzbekistan total 4.3m ounces. Two ventures in Indonesia and one in Thailand are also under development, with Newmont geologists prospecting in other areas in Asia, including Vietnam and China.

See Lex, Page 24

Bank move leads to Ciga shares being suspended

By Haig Simonian in Milan

TRADING in the shares of Ciga, the Italian luxury hotels chain controlled by the Aga Khan, was suspended yesterday in a further twist to the group's long-running battle to remain afloat.

The suspension, which included Fimpar, the Aga Khan's holding company which controls Ciga, resulted from a formal request by the subsidiary of an Italian bank following the expiry of $100m revolving credit to Fimpar.

Istituto Mobiliare Italiano, the public sector investment banking and credit institution has taken legal action to freeze Fimpar's assets – triggering the share suspensions by Italy's Consob companies and stockmarket watchdog.

IMI's move followed the expiry earlier this month of the $100m three-year facility and failure so far to reach agreement on an extension.

"Fimpar was not aware of the initiative," said Mr Claudio Miorelli, a Ciga official. "We are now defining the terms of extending the facility," he said. He played down the assets freeze as a "formal procedural step" taken by IMI as lead manager of the syndicated credit facility.

Shake-up helps Bombardier advance 20%

By Robert Gibbens in Montreal

BOMBARDIER, the Canadian aerospace and transit equipment group, yesterday unveiled a 20 per cent rise in first-quarter profits, due to a turnround in its consumer products and financial services divisions and a rationalisation programme throughout the group.

For the three months ended April 30, Bombardier's net profits rose to C$39.2m, or 25 cents a share, from C$32.7m, or 21 cents a share, a year earlier, on sales of C$993m, up nearly 6 per cent.

Hollinger turns in flat first-quarter earnings

By Bernard Simon in Toronto

HOLLINGER, the holding company for Mr Conrad Black's international publishing group, has reported flat first-quarter earnings.

An improved performance by the 68 per cent-owned Telegraph group in the UK was not reflected on Hollinger's bottom line as a result of the weakening of the pound against the Canadian dollar and the reduction of Hollinger's stake at the time of the Telegraph's listing last July.

Hollinger's net income from continuing operations was C$6.8m (US$5.4m), or 8 cents a share, up from C$6.6m, or 7 cents a share, a year earlier. Revenues dropped slightly to C$205.7m from C$209m.

These figures exclude an unusual gain of C$18.5m this year and a charge of C$38.4m in 1992.

Excluding these charges as well as discontinued operations and the cost of Hollinger's recent purchase of a stake in Canada's Southam Newspapers, first-quarter earnings were C$13.7m, or 20 cents a share, compared with losses of C$31.7m, or 63 cents a share, a year earlier.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	$375.15	+7.35	$337.70	$375.15	$326.05
Silver Per troy oz	295.50p	+7.0	225.34p	297.50p	236.00p
Aluminium 99.7% (cash)	$1120.0	-4.5	$1320.50	$1236.5	$1108
Copper Grade A (cash)	£1184.0	+39.0	£1231.25	£1563.5	£1108.5
Lead(cash)	£255.75	-9.25	£281.50	£309	£255.75
Nickel (cash)	$5662.5	-25	$7337.50	$6340	$5630.0
Zinc SHG (cash)	$953.0	-12.5	$1370.00	$1112	$953.0
Tin (cash)	$5450.0	-35.0	$6190.00	$6047.5	$5450.0
Cocoa Futures (Jul)	£664	-13	£555.00	£751	£664
Coffee Futures (Jul)	$947	+61	$731	$985	$836
Sugar (LDP Raw)	$300.00	-16.80	$237.4	$317.4	$204.5
Barley Futures (Sep)	£106.10	-0.40	£107.30	£110.30	£106.10
Wheat Futures (Jun)	£138.60	-3.90	£123.90	£149.45	£138.85
Cotton Outlook A Index	59.85c	-0.80	60.40c	62.35c	54.75c
Wool (64s Super)	367p	-11	424p	403p	340p
Oil (Brent Blend)	$18.42x	-0.06	$19.575	$19.53	$16.65

Per tonne unless otherwise stated. p-pence/kg. c-cents lb. x-Jul.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$15.90-5.99z	-.035
Brent Blend (dated)	$18.08-8.12	-.035
Brent Blend (Jul)	$18.40-8.44	-.035
W.T.I (1 pm est)	$19.85-9.89z	+.015
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$210-212	-0.5
Gas Oil	$173-174	-1
Heavy Fuel Oil	$70-71	
Naphtha	$164-165	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$375.15	+1.90
Silver (per troy oz)♣	455.5c	+1.5
Platinum (per troy oz)	$384.75	+0.75
Palladium (per troy oz)	$117.50	-1.0
Copper (US Producer)	88.5c	+1.0
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	13.88r	
Tin (New York)	252.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	141.85p	+1.61*
Sheep (live weight)†♠	141.37p	+8.27*
Pigs (live weight)†	89.62p	-1.21*
London daily sugar (raw)	$300.0	+2.2
London daily sugar (white)	$294.5	+1.0
Tate and Lyle export price	£308.0	
Barley (English feed)	£113.0v	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jun)¶	57.50p	
Rubber (Jul)¶	57.75p	
Rubber (KL RSS No 1 May)	208.5m	
Coconut oil (Philippines)§	$422.5y	
Palm Oil (Malaysian)§	$382.5u	-2.5
Copra (Philippines)§	Unq	
Soyabeans (US)	£174.5z	+3.0
Cotton "A" index	59.85c	
Wooltops (64s Super)	367p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun.z-July. v-Oct ¶London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX			($ per tonne)	
White	Close	Previous	High	Low
Aug	303.50	297.30	303.80	298.00
Oct	300.30	298.30	301.00	296.30
Dec	296.00	296.00	296.00	
Mar	299.80	298.00	299.80	296.00
May	302.90	298.20	303.30	299.00
Aug	307.10	301.70	307.40	303.40

White 728 (880) Paris- White (FFr per tonne): Aug 1674.58 Oct 1658.17

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High	Low
Jul	18.42	18.45	18.52	18.36
Aug	18.59	18.63	18.67	18.52
Sep	18.74	18.72	18.78	18.65
Oct	18.85	18.85	18.85	18.80
Nov	18.87	18.92	18.87	
Dec	18.96	18.97	18.98	18.92
Jan	18.90	18.97	18.90	
IPE Index	18.29	18.20		

Turnover 15297 (33113)

GAS OIL – IPE			$/tonne	
	Close	Previous	High	Low
Jun	171.25	172.00	173.50	171.00
Jul	171.50	172.00	173.25	171.25
Aug	173.50	173.75	174.75	173.25
Sep	176.25	175.50	176.50	175.25
Oct	178.25	178.75	179.25	178.25
Nov	180.50	180.75	181.25	181.00
Dec	182.75	183.00	183.25	182.75
Jan	182.75	183.25	182.75	

Turnover 10279 (8651) lots of 100 tonnes

SPICES

White pepper prices showed a steady undertone, Man-producten reports. Spot Muntok US$1,875 a tonne, May-June $1,575 cif ebp; black pepper unchanged. Indonesian cassia steady: ka/va sticks spot $2,260, shipment $2,070. Madagascan cinnamon FFr 6.20 a kg spot, FFr 5.85 shipment cif; Seychelles spot $1,375 a tonne, shipment $1,275 cif. China cassia lignea, whole $1,460, broken $1,300 cif. Cloves unchanged. Indonesian nutmegs/mace unchanged, Grenada at official quotes; bwp spot $700, shrivels spot $1,150. Pimento unchanged. Nigerian ginger unchanged, price $200-$800 ex-warehouse Rotterdam.

COCOA – London FOX			£/tonne	
	Close	Previous	High	Low
May	643	647	645	644
Jul	664	668	668	664
Sep	681	684	684	680
Dec	703	708	705	700
Mar	724	728	728	723
May	738	744	743	
Sep	766	773	765	
Mar	812	814	812	809

Turnover: 1348 (991) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 20 698.57 (698.57) 10 day average for May 21 702.45 (706.36)

COFFEE – London FOX			$/tonne	
	Close	Previous	High	Low
May	928	910	921	903
Jul	947	928	950	921
Sep	941	931	947	923
Nov	947	942	950	932
Jan	954	942	946	

Turnover: 5761 (2427) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 20 Comp. daily 55.69 (55.52) 15 day average 53.56 (53.44)

POTATOES – London FOX			£/tonne	
	Close	Previous	High	Low
Apr	94.0	94.7	94.5	94.0

Turnover 31 (12) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Aug	141.00	141.00	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High	Low
Jun	1543	1530	1545	1535
Jul	1385	1378	1395	1385
Oct	1444	1442	1450	1445
BFI	1631	1623	1631	

Turnover 236 (228)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High	Low
May	140.50	140.50	141.50	140.50
Jun	138.60	138.65	138.25	138.00
Sep	107.20	107.60	107.30	107.25
Nov	108.75	109.30	109.00	108.60
Jan	111.70	112.15	111.70	111.50
Mar	113.95	114.75	114.15	113.90
May	116.40	117.20	116.70	116.50
Barley	Close	Previous	High	Low
May	135.00	135.00	135.00	
Sep	106.10		106.30	106.25
Nov	108.60		108.75	108.55
Jan	111.15		111.20	111.00
Mar	112.70		112.75	
May	113.90		113.95	

Turnover: Wheat 445 (241), Barley 152 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
May	115.8	115.8	115.5
Jun	108.5	108.5	108.5
Sep	101.3	100.5	101.0

Turnover: 7 (8) lots of 3,250 kg

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,371 lots
Cash	1118.5-20.5	1119-20		1118.5-20		
3 months	1142.5-3	1142-3	1146/1135	1142.5-3	1138-9	189,967 lots
Copper, Grade A (£ per tonne)						Total daily turnover 49,529 lots
Cash	1183.5-4.5	1176-7	1174	1173.5-4		
3 months	1201-2	1193-4	1202/1191	1192-3	1201-1.5	210,295 lots
Lead (£ per tonne)						Total daily turnover 1,980 lots
Cash	255.5-6	257-8		255-5.5		
3 months	265-5.5	266.5-7.5	266/264	264.5-5	266-7	19,921 lots
Nickel ($ per tonne)						Total daily turnover 4,564 lots
Cash	5660-5	5625-35		5615-20		
3 months	5725-30	5690-5	5725/5650	5689-91	5705-10	49,608 lots
Tin ($ per tonne)						Total daily turnover 1,932 lots
Cash	5445-65	5455-60		5447-8		
3 months	5500-10	5514-5	5510/5500	5505-10	5500-10	8,909 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 14,240 lots
Cash	952.5-3.5	962.5-3.5	953.5	953-3.5		
3 months	971-2	981.5-2	979/970	972.5-3	971-2	67,128 lots

LME Closing £/$ rate: SPOT: 1.5410 | 3 months: 1.5309 | 6 months: 1.5212 | 9 months: 1.5127

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	375.00-375.30	
Opening	373.20-373.60	
Morning fix	374.05	241.058
Afternoon fix	373.25	240.574
Day's high	375.20-375.60	
Day's low	373.00-373.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.58	6 months	2.46
2 months	2.54	12 months	2.45
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	291.50	452.25
3 months	295.80	455.45
6 months	299.85	459.00
12 months	308.60	467.40

GOLD COINS	$ price	£ equivalent
Krugerrand	376.50-378.00	243.50-245
Maple leaf	384.65-387.10	-
New Sovereign	N/A	N/A

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1125	31	50	22	26
1150	20	37	35	37
1175	12	26	51	51
Copper (Grade A)	Calls		Puts	
1800	86	112	45	62
1850	60	86	69	85
1900	40	64	98	113
Coffee	Jul	Sep	Jul	Sep
900	61	81	14	40
950	32	55	35	64
1000	18	37	68	96
Cocoa	Jul	Sep	Jul	Sep
700	5	25	41	44
725	2	17	63	61
750	1	12	87	81
Brent Crude	Jul	Aug	Jul	Aug
1800	-	-	16	27
1850	25	52	-	-
1900	11	31	66	-

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High	Low
May	377.5	374.2	0	0
Jun	377.9	374.7	378.6	372.8
Jul	378.8	375.6	0	0
Aug	379.9	376.6	380.6	374.9
Oct	381.7	378.4	382.5	377.5
Dec	383.3	380.1	384.0	378.5
Feb	385.0	381.7	385.2	380.4
Apr	386.7	383.4	387.7	387.3
Jun	388.4	385.1	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High	Low
Jul	393.4	390.5	393.9	388.0
Oct	391.9	388.9	392.0	385.0
Jan	391.4	388.3	390.0	384.0
Apr	391.1	388.0	387.5	388.0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High	Low
May	466.9	451.4	468.0	451.5
Jun	467.2	451.8	462.0	450.0
Jul	468.3	453.0	469.0	451.5
Sep	471.5	456.1	472.0	454.5
Dec	476.2	460.7	477.0	459.0
Jan	476.8	461.3	0	0
Mar	481.0	465.4	480.0	463.5
May	484.7	468.9	0	0
Jul	488.0	472.2	486.0	474.5
Sep	491.9	476.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High	Low
May	81.85	82.00	82.35	81.70
Jun	81.90	82.20	82.00	81.90
Jul	82.25	82.55	82.75	81.80
Aug	82.50	82.80	82.75	82.75
Sep	82.80	83.10	83.30	82.55
Oct	83.05	83.35	0	0
Nov	83.30	83.65	0	0
Dec	83.60	83.95	84.05	83.30
Jan	83.75	82.35	0	0
Feb	84.00	84.35	84.30	84.30

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High	Low
Jul	19.89	19.84	19.95	19.80
Aug	20.08	20.04	20.13	20.00
Sep	20.20	20.18	20.24	20.13
Oct	20.24	20.25	20.25	20.19
Nov	20.24	20.28	20.28	20.22
Dec	20.27	20.30	20.32	20.24
Jan	20.27	20.30	20.27	20.27
Feb	20.30	20.30	0	0
Mar	20.29	20.29	20.31	20.29
Apr	20.28	20.28	0	0

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High	Low
Jun	54.70	54.89	54.85	54.20
Jul	54.95	55.01	55.05	54.65
Aug	55.60	55.66	55.70	55.35
Sep	56.60	56.66	56.75	56.30
Oct	57.60	57.66	57.70	57.55
Nov	58.55	58.61	58.70	58.50
Dec	59.50	59.51	59.55	59.35
Jan	59.95	59.99	60.05	59.95
Feb	59.70	59.72	59.85	59.70
Mar	58.40	58.32	58.40	58.25

COCOA 10 tonnes;$/tonnes	Close	Previous	High	Low
Jul	887	898	897	886
Sep	918	928	927	916
Dec	960	968	968	956
Mar	992	1000	995	988
May	1015	1023	1015	1015
Jul	1035	1043	0	0
Sep	1058	1066	0	0
Dec	1090	1098	0	0
Mar	1124	1132	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High	Low
May	62.50	59.65	61.40	60.50
Jul	65.40	63.55	66.00	64.25
Sep	67.20	65.60	67.80	66.00
Dec	69.80	67.90	70.00	68.65
Mar	72.00	70.20	72.20	70.55
May	74.00	72.20	73.70	73.50
Jul	75.60	73.25	0	0
Sep	77.20	74.75	77.00	77.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High	Low
Jul	12.36	12.05	12.38	12.08
Oct	12.37	12.11	12.38	12.15
Mar	11.57	11.43	11.58	11.45
May	11.42	11.29	11.42	11.32
Jul	11.34	11.20	11.34	11.28
Oct	11.28	11.14	0	0

COTTON 50,000; cents/lbs	Close	Previous	High	Low
Jul	60.96	61.07	61.38	60.81
Oct	59.75	60.17	60.35	59.70
Dec	58.95	59.35	59.55	58.95
Mar	59.96	60.30	60.50	59.98
May	60.70	60.90	60.90	60.70
Jul	61.20	61.35	0	0
Oct	60.19	60.33	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High	Low
Jul	109.95	108.45	110.40	107.25
Sep	112.90	109.00	113.40	110.50
Nov	114.00	111.55	114.50	113.25
Jan	115.60	113.20	115.60	113.50
Mar	117.25	115.20	117.00	115.20
May	116.95	115.20	117.00	116.00
Jul	116.95	115.20	0	0
Sep	116.95	115.20	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
May 21	May 20	mnth ago	yr ago
1674.0	1675.6	1648.0	1593.5

DOW JONES (Base: Dec. 31 1974 = 100)	May 20	May 19	mnth ago	yr ago
Spot	120.67	120.54	123.63	117.81
Futures	122.98	123.74	120.17	116.40

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High	Low
Jul	608/0	603/4	608/4	603/0
Aug	606/2	602/2	607/0	602/0
Sep	604/0	600/2	605/2	600/4
Nov	605/6	602/6	607/4	602/4
Jan	611/6	609/0	613/2	608/6
Mar	617/2	615/0	619/0	615/0
May	619/4	617/4	620/4	617/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High	Low
Jul	21.41	21.39	21.50	21.31
Aug	21.54	21.52	21.60	21.45
Sep	21.67	21.65	21.72	21.57
Oct	21.78	21.76	21.82	21.68
Dec	22.00	21.99	22.07	21.91
Jan	22.09	22.08	22.15	22.06
Mar	22.28	22.27	22.35	22.20
May	22.40	22.40	22.40	22.30

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High	Low
Jul	193.0	191.6	193.5	191.1
Aug	191.8	190.7	192.4	190.0
Sep	191.4	190.6	191.8	190.0
Oct	191.2	190.3	191.4	189.7
Dec	191.5	191.2	192.5	190.7
Jan	192.0	191.7	192.7	191.0
Mar	192.9	193.0	193.2	191.8
May	193.9	193.8	194.0	192.4

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High	Low
Jul	228/2	228/2	229/0	226/6
Sep	233/0	233/0	234/0	231/4
Dec	239/2	239/2	240/4	237/4
Mar	246/0	246/0	247/0	244/6
May	250/4	250/6	251/2	250/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High	Low
Jul	297/6	297/6	299/0	296/0
Sep	299/6	300/0	300/6	298/4
Dec	311/4	311/2	312/0	310/0
Mar	317/0	317/2	317/6	316/0
May	316/4	317/6	317/4	316/4

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High	Low
Jun	75.875	75.825	76.075	75.725
Aug	73.025	72.900	73.200	72.875
Oct	74.075	74.000	74.350	74.050
Dec	74.075	73.875	74.225	73.925
Feb	73.650	73.475	73.900	73.600
Apr	74.850	74.425	74.900	74.575

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High	Low
Jun	52.850	53.275	53.475	52.800
Jul	51.925	51.925	52.250	51.800
Aug	49.925	50.050	50.450	49.875
Oct	43.850	43.975	44.350	43.700
Dec	44.900	45.150	45.200	44.900
Feb	44.850	44.950	44.950	44.700
Apr	43.600	43.800	43.750	43.500

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High	Low
May	44.200	44.550	44.850	44.100
Jul	43.525	44.750	44.975	43.450
Aug	41.575	42.425	42.850	41.525
Feb	41.600	42.250	42.700	41.500
Mar	40.500	41.025	41.700	40.500

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling and yen surge ahead

THE D-MARK continued to show signs of weakness against most currencies yesterday, allowing sterling to break through the DM2.52 barrier at one point, and falling to new lows against the Japanese yen, *writes James Blitz.*

Yesterday's trading brought little in the way of fresh news to the market. However, the D-Mark continued to trend downwards at the end of a week which has brought Denmark's ratification of the Maastricht treaty and new confidence in European Monetary Union. Inside the European exchange rate mechanism, the French franc again broke below the FFr3.37 level against the German currency and closed at FFr3.365, despite the fact that most of the French market remained on holiday.

The Dutch guilder also broke through to a new 5-year high against the German currency, moving from NFl 1.1230 to a London close of NFl 1.120.

By the close of trading, the guilder was some 59 basis points higher than the D-Mark in the ERM grid.

Another indication of the D-Mark's softness was the fall in its ERM divergence indicator from minus 17 percentage points to minus 23 percentage points. It was 38 basis points above the weakest currency, the French franc. However, the D-Mark could recover next week if provisional data for consumer price inflation in Germany indicate lower annual inflation.

The dollar benefited from the D-Mark's general softness to close 1.4 pfennigs up on the day at DM1.6275. But sterling and the yen moved higher against the D-Mark as a result of special factors.

Sterling broke through the DM2.52 level, peaking at DM2.5215 following retail price inflation figures that were a little better than the market had expected. However, it later succumbed to profit-taking to close at DM 2.5075, down ½ pfennig on the day.

A good inflation figure would normally raise speculation of another base rate cut, weakening the currency. But Mr Mark Austin, an economist at Midland Global Markets in London, said the figure underlined that the government's inflation target was intact – and that this compounded the general confidence in the UK authorities following the Maastricht ratification vote in the House of Commons.

The Japanese currency also moved strongly against the D-Mark, closing at Y67.90, from a previous Y68.53. The yen is likely to remain on the firm side in the run-up to next week's trade talks between the US and Japanese government. In the wake of this week's very poor US trade figures, there are expectations that the US authorities will again push Tokyo into a strong yen policy.

£ IN NEW YORK

May 21	Latest	Previous Close
£ Spot	1.5425-1.5435	1.5560 1.5570
1 month	0.39-0.38pm	0.39 0.38pm
3 months	1.09-1.07pm	1.09 1.07pm
12 months	3.73-3.63	3.70 3.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 21	Previous
8.30 am	81.1	80.6
9.00 am	81.1	80.8
10.00 am	81.1	80.5
11.00 am	81.0	80.5
Noon	81.1	80.8
1.00 pm	81.1	80.9
2.00 pm	81.0	80.9
3.30 pm	81.0	80.8
4.00 pm	80.6	80.9

CURRENCY RATES

May 21	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.911644	0.778214
US Dollar	3.00	1.41168	1.20701
Canadian $	5.40	1.79057	1.52771
Austrian Sch	8.75	N/A	13.7961
Belgian Franc	6.50	N/A	40.2719
Danish Krone	8.25	N/A	7.50398
D-Mark	7.25	N/A	1.95934
Dutch Guilder	6.50	N/A	2.19543
French Franc	10	N/A	6.59933
Italian Lira	11.00	2077.29	1778.09
Japanese Yen	2.50	156.132	133.049
Norway Krone	-	N/A	8.28802
Spanish Peseta	-	174.328	149.343
Swedish Krona	11.50	N/A	8.79247
Swiss Franc	5.00	N/A	1.77310
Greek Drach	19	N/A	265.409
Irish Punt	-	N/A	0.801840

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for May 20

CURRENCY MOVEMENTS

May 21	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	80.6	-29.00
U.S Dollar	64.3	-13.80
Canadian Dollar	84.6	-7.52
Austrian Schilling	113.8	+15.83
Belgian Franc	115.1	+1.22
Danish Krone	117.3	+11.47
D-Mark	123.2	+30.61
Swiss Franc	110.3	+18.74
Dutch Guilder	118.7	+20.56
French Franc	108.2	-8.93
Lira	83.0	-32.36
Yen	171.9	+111.17
Peseta	81.7	-30.11

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for May 20

OTHER CURRENCIES

May 21	£	$
Argentina	1.5480 - 1.5605	0.9990 - 1.0000
Australia	2.2270 - 2.2290	1.4400 - 1.4410
Brazil	60008.5 - 60047.5	38715.2 - 38715.4
Finland	8.4475 - 8.4985	5.4625 - 5.4825
Greece	337.150 - 343.950	216.750 - 221.100
Hong Kong	11.9755 - 11.9875	7.7275 - 7.7285
Iran	2591.00 - 2593.00	1642.00 - 1644.00
Korea(Sth)	1238.85 - 1258.85	799.40 - 805.80
Kuwait	0.46685 - 0.46775	0.30100 - 0.30150
Luxembourg	51.45 - 51.55	33.35 - 33.45
Malaysia	3.9695 - 3.9800	2.5635 - 2.5645
Mexico	4.8095 - 4.8125	3.1050 - 3.1080
N.Zealand	2.8415 - 2.8455	1.8350 - 1.8375
Saudi Ar	5.8080 - 5.8175	3.7495 - 3.7505
Singapore	2.5010 - 2.5075	1.6150 - 1.6160
S.Af (Cm)	4.9335 - 4.9445	3.1800 - 3.1815
S.Af (Fn)	7.1930 - 7.2085	4.6450 - 4.6550

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	185.735	-3.69	4.79	82
Spanish Peseta	154.250	149.343	-3.18	4.24	58
Irish Punt	0.808628	0.801840	-0.84	1.78	43
Dutch Guilder	2.19672	2.19543	-0.06	0.98	8
Belgian Franc	40.2123	40.2719	0.15	0.78	-2
D-Mark	1.94964	1.95943	0.50	0.42	-26
Danish Krone	7.43679	7.50398	0.90	0.02	-38
French Franc	6.53883	6.59933	0.93	0.00	-46

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5390 - 1.5585	1.5410 - 1.5420	0.39-0.37cpm	2.96	1.10-1.07pm	2.82
Canada	1.9515 - 1.9760	1.9545 - 1.9555	0.30-0.20cpm	1.53	0.55-0.43pm	1.00
Netherlands	2.8050 - 2.8325	2.8050 - 2.8150	¼-⅜cdis	-1.33	⅝-⅞dis	-1.07
Belgium	51.45 - 51.95	51.45 - 51.55	4-8cdis	-1.40	11-19dis	-1.13
Denmark	9.5950 - 9.6580	9.5950 - 9.6050	1⅞-4oredis	-3.35	4¾-7⅞dis	-2.53
Ireland	1.0265 - 1.0315	1.0265 - 1.0275	0.11-0.14cdis	-1.46	0.33-0.38dis	-1.38
Germany	2.5050 - 2.5245	2.5050 - 2.5100	⅜-½pfdis	-2.09	⅞-1dis	-1.50
Portugal	237.50 - 239.60	237.50 - 238.50	154-173dis	-8.24	428-472dis	-7.56
Spain	190.85 - 192.40	190.85 - 191.15	98-108cdis	-6.41	280-287dis	-5.73
Italy	2278.30 - 2293.80	2278.50 - 2279.50	8-10liredis	-4.74	25-27dis	-4.56
Norway	10.5820 - 10.6440	10.5825 - 10.5925	¼-1⅞oredis	-1.49	2¼-4⅜dis	-1.25
France	8.4350 - 8.5025	8.4350 - 8.4450	1⅜-1¼cdis	-2.22	3-3⅝dis	-1.57
Sweden	11.2375 - 11.4410	11.2375 - 11.2475	2¼-4⅜oredis	-3.54	6⅞-8⅛dis	-2.49
Japan	169.75 - 172.25	169.75 - 170.75	½-⅜ypm	3.08	1¼-1⅛pm	2.79
Austria	17.63 - 17.95	17.65 - 17.68	1⅜-2½grodis	-1.32	3-6⅝dis	-1.09
Switzerland	2.2650 - 2.2980	2.2650 - 2.2750	¼cpm-par	0.66	⅝-⅜pm	0.88
Ecu	1.2775 - 1.2860	1.2790 - 1.2800	0.20-0.24cdis	-2.06	0.47-0.54dis	-1.58

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.08-2.03pm . 12 Month 3.70-3.60pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5390 - 1.5585	1.5410 - 1.5420	0.39-0.37cpm	2.96	1.10-1.07pm	2.82
Ireland†	1.4970 - 1.5120	1.5030 - 1.5040	0.58-0.56cpm	4.51	1.58-1.54pm	4.16
Canada	1.2640 - 1.2685	1.2665 - 1.2675	0.15-0.19cdis	-1.61	0.55-0.60dis	-1.82
Netherlands	1.8105 - 1.8265	1.8230 - 1.8240	0.63-0.66cdis	-4.24	1.70-1.76dis	-3.79
Belgium	33.25 - 33.45	33.35 - 33.45	11.00-13.00cdis	-4.31	31.00-35.00dis	-3.95
Denmark	6.1825 - 6.2300	6.2250 - 6.2300	2.70-3.60oredis	-6.07	7.00-8.50dis	-4.98
Germany	1.6140 - 1.6310	1.6270 - 1.6280	0.64-0.65pfdis	-4.76	1.72-1.74dis	-4.25
Portugal	153.65 - 154.25	153.65 - 153.75	139-146cdis	-11.13	395-410dis	-10.34
Spain	123.10 - 124.25	123.90 - 124.00	92-96cdis	-9.10	250-280dis	-8.23
Italy	1468.00 - 1480.50	1478.25 - 1478.75	9.00-9.70liredis	-7.59	25.40-27.70dis	-7.32
Norway	6.8235 - 6.8795	6.8650 - 6.8700	2.30-2.85oredis	-4.50	6.50-7.40dis	-4.05
France	5.4400 - 5.4885	5.4725 - 5.4775	2.24-2.34cdis	-5.02	5.85-6.06dis	-4.35
Sweden	7.2735 - 7.3455	7.2900 - 7.2950	3.85-4.15oredis	-6.42	9.10-9.85dis	-5.20
Japan	109.80 - 110.55	110.35 - 110.45	0.01-0.02ydis	-0.16	par-0.01dis	-0.02
Austria	11.3550 - 11.4470	11.4310 - 11.4360	3.95-4.25grodis	-4.30	10.65-11.45dis	-3.87
Switzerland	1.4645 - 1.4750	1.4720 - 1.4730	0.25-0.28cdis	-2.16	0.71-0.76dis	-2.00
Ecu†	1.2010 - 1.2120	1.2055 - 1.2065	0.51-0.50cpm	5.02	1.33-1.30pm	4.36

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

May 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	5¼ - 5⅝	5⅝ - 5½	5[illegible] - 5[illegible]	6¼ - 5[illegible]	6⅛ - 6	6¼ - 6⅛
US Dollar	3 - 2⅞	3⅛ - 2[illegible]	3⅛ - 3	3¼ - 3⅛	3¼ - 3⅛	3[illegible] - 3⅞
Can. Dollar	4⅝ - 4⅜	4½ - 4¼	4¾ - 4½	5⅛ - 4⅞	5[illegible] - 5[illegible]	6⅛ - 5⅞
Dutch Guilder	7⅜ - 7¼	7[illegible] - 7[illegible]	7¼ - 7⅛	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6⅝ - 6¼
Swiss Franc	5¼ - 5	5¼ - 5	5[illegible] - 5[illegible]	5⅛ - 5	4[illegible] - 4[illegible]	4¾ - 4⅝
D-Mark	7[illegible] - 7[illegible]	7⅞ - 7¾	7¾ - 7⅝	7[illegible] - 7[illegible]	7⅛ - 7	6[illegible] - 6[illegible]
French Franc	8⅝ - 8¼	8¼ - 8	8 - 7¾	7[illegible] - 7[illegible]	7¼ - 7	6⅞ - 6⅝
Italian Lira	12½ - 10½	10¾ - 10¼	10⅝ - 10⅛	10½ - 10⅛	10½ - 10⅛	10¼ - 10
Belgian Franc	7[illegible] - 7[illegible]	7[illegible] - 7[illegible]	7[illegible] - 7[illegible]	7¼ - 7⅛	6⅞ - 6⅝	6¾ - 6⅝
Yen	3¼ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	9¼ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	3¼ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	12¼ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	14½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 5⅝-5½ per cent nominal. [illegible]

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5415	1.5377	1.5307	1.5218	1.5050
D-mark	2.5075	2.5114	2.5165	2.5213	2.5195
French Fr.	8.4400	8.4414	8.4452	8.4449	8.4448
Swiss Fr.	2.2700	2.2685	2.2748	2.2584	2.2401
Yen	170.25	169.88	169.13	167.96	165.81

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

Sterling contracts up

THERE was a fractionally more bullish tone about UK base rate cuts yesterday after Britain's inflation figures came in slightly better than had been expected, *writes James Blitz*. The retail prices index showed a 1.3 per cent rise in inflation in the year to April after a year-on-year increase of 1.9 per cent in March. This meant that there was an overall fall of 0.6 percentage points in the inflation rate.

The move from the poll tax to the council tax had a big impact in forcing down the inflation rate.

UK clearing bank base lending rate
6 per cent
from 26 January, 1993

Dealers in interest rate futures markets took the view that the lower inflation rate would make a cut in UK base rates possible if the authorities decided to introduce one later this year.

However, the June contract rose only 3 basis points closing at 93.95, a level that was more or less consonant with 3-month sterling cash.

The September contract rose 10 basis points at one stage, to a high of 94.06, later falling back to close at 94.02. Trading in the September contract was a great deal heavier than for June, indicating that the market believes a cut is more likely to happen in the autumn, if at all.

Rates in the sterling cash market softened slightly during the day. Three-month interest rates closed at 6 per cent, having been at 6$\frac{1}{16}$ per cent earlier in the day. There was a daily shortage of £1.5bn in the discount market, with only £125m left as late assistance. The overnight rate fell as low as 4 per cent.

In Europe, Finland and Portugal joined in the general round of official interest rate cutting that has dominated the week of the Danish referendum. Finland reduced its tender rate from 8.59 per cent to 8.37 per cent. Portugal reduced its discount rate by 100 basis points to 13½ per cent and its reference rate by 150 basis points to 14½ per cent.

German futures contracts fell back yesterday as dealers took the view that the D-Mark's weakness on the currency markets might threaten the established pace of German monetary easing.

The September Euromark contract fell 7 basis points to close at 93.46. Call money also remained firm near Wednesday's level of 7.85 per cent with the drain on liquidity caused by this month's tax payments prompting the central bank to provide the market with short term funds.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF) (May 19)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
116	-	-	-	0.02	0.59	-
117	0.37	0.98	-	0.10	0.99	-
118	0.04	0.54	0.82	0.77	1.54	-
119	0.01	0.27	0.46	-	-	-
120	-	0.12	-	-	-	-
Open Int.	141,258	99,845	22,266	155,688	89,433	13,117

Estimated volume 31,585 † Total Open Interest 543,392
† All Yield & Open Interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday May 19, 1993	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	129,451,180	- 10,111,485
Bankers Deposits	1,453,367,974	- 24,403,733
Reserve and other Accounts	3,445,743,442	- 319,350,206
	5,043,115,596	- 353,865,424
ASSETS		
Government Securities	1,085,262,132	- 169,220,000
Advance and other Accounts	3,519,669,751	- 180,108,538
Premises Equipment & other Secs	452,736,156	+ 345,356
Notes	5,205,614	- 4,894,042
Coin	241,943	+ 11,800
	5,043,115,596	- 353,865,424
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	16,544,794,386	- 25,105,958
Notes in Banking Department	5,205,614	- 4,894,042
	16,550,000,000	- 30,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	9,753,064,105	+ 1,260,448,840
Other Securities	6,785,920,795	- 1,290,448,840
	16,550,000,000	- 30,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485
High Int Cheque Acc | 5.50 | 4.13 | 5.61 | Qtr

NOTES- Gross: Contracted rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 4.30 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

No. of bargains included 1908

Treasury 13¾% Stk 2000/03 - £130½
Exchequer 10½% Stk 2005 - £115 115⅝ (17My93)
Guaranteed Export Finance Corp PLC 12½% Gtd Ln Stk 2002(Reg) - £126⅝

Corporation and County Stocks

No. of bargains included 1

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

PowerGen PLC 8⅞% Bds 2003 (Br £10000&100000) - £100.65 ¾
Prudential Finance BV 9⅜% Gtd Bds 2007 (Br£5000&100000) - £100⅝ 1 ¼ (19My93)
Rank Organisation PLC 8⅝% Bds 2000 (Br £ Var) - £96⅝
Royal Bank of Scotland PLC 10.5% Subord Bds 2013 (Br £ Var) - £108.1125 ¼
10⅝% Subord Bds 1998 (Br£5000&25000) - £108¾ (18My93)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Investment Trusts

USM Appendix

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv 84ф
Bank of East Asia HK$35.561,35.75 (19.5)
Batu Kawan S$2.062 (19.5)
City Developments S$4.87,4.8773
Cold Storage M$4.037 (14.5)
Codgen 90 (14.5)
Idaho Power Co $28.6483ф (19.5)
Keystone International $27.125ф (17.5)
Killinghall Tin (Malaysia) Berhad Ord 78.8 (14.5)
Kulim Malaysia Ord 45.0 (14.5)
Malayan Credit RM5.45,5.5,5.55,5.6,5.65 (19.5)
Mount Martin Gold Mines 30ф
National Electronics (Consolidated) 3.0 (17.5)
North Flinders Mines 410
Oil Search 31 (18.5)
Palabora Mining R69¼ (19.5)
Playmates Hldgs HK$2.62 (14.5)
Samantha Hldgs. Berhad A$0.992 (18.5)
Sapphire Mines 4½ (19.5)
Singapore Land S$4.74 (19.5)
Storer Communications S$C44.69 (18.5)
Third Canadian Gen Inv Tst C$68

By Permission of the Stock Exchange Council

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FINANCIAL TIMES

Published in

LONDON ● PARIS ● FRANKFURT ● NEW YORK ● TOKYO

Head Office: The Financial Times Ltd, Number One, Southwark Bridge, London SE1 9HL. Telex: (Editorial) 922186. Telex: (Advertising) 885033. Telephone: 071-873 3000. Fax: (Advertising) 071-873 3063.

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

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Leeds: Advertising 4, Wharfe View, Wetherby West Yorkshire LS22 4HB. Tel: 0937-586880. Fax: 0937 586861.

Madrid: Editorial 1-5 floor, Calle Recoletos, Madrid 28001. Tel 337 0529 or 337 0587. Fax: 337 3800. Advertising and Circulation Serrano 58, 28001 Madrid Tel: 577 09 09 Fax: 577 68 13

Manchester: Editorial, Advertising and Circulation Alexandra Buildings, Queen Street, Manchester M2 5HT. Tel: 061-834 9381. Fax: 061-832 9248

LONDON STOCK EXCHANGE

Rights issue worries restrain equities

By Steve Thompson

A TURBULENT week in the London equity market drew to a close with prices of the leading blue chips moderately easier as dealers continued to fret about cash demands on the market and ignoring more good news on the domestic economic front.

Continuing the trend of recent weeks, however, the second-line stocks attracted renewed buying interest from the big institutions.

The FT-SE 100 index ended the day a net 4.6 lower at 2,812.2, down 34.8, or 1.2 per cent, on the week. Over the two-week account, however, the index has risen 18.5, or 0.6 per cent. The FT-SE Mid 250 index extended its strong showing, moving up 5.0 to a record 3,165.1; on the week the 250 index rose 22.8, or 0.7 per cent. Over the account the 250 index showed a gain of 55.76, or 1.8 per cent.

Gilt-eged stocks rose strongly in mid-session, helped by the upward move by sterling after the economic data, but lost ground towards the close of business as the pound eased against the dollar, although maintaining its strength against the D-mark.

Longer-dated gilts, up around ¼ at the day's best, eventually closed around $\frac{3}{16}$ down on balance. Index-linked, meanwhile retained gains of around ⅛, having been up ⅜ earlier in the session.

The FT-SE 100 began the day in good form, opening around six points higher in response to Wall Street moving up to an all-time high overnight. The market's optimism was quickly dented, however, by the latest fund raising moves in London. Brixton Estates joined a long list of companies seeking additional capital asking shareholders for £100m, albeit at favourable terms. This week's heaviest calls have come from British Airways, which is raising *£442m and Allied Lyons, asking* for £200m via a convertible rights. Saatchi & Saatchi launched a £73m cash call while Compass proposed an £86m call. The market was awash yesterday with suggestions that the new trading account could well see another wave of funding calls with the property sector said to be a prime area.

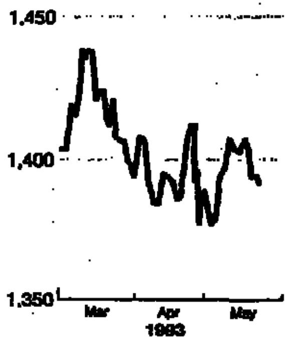
The cash market was firmly in negative territory within an hour of the opening and dropped to the day's low, down 15.7 FT-SE points, as Wall Street opened with a fall of around 15 points on the Dow Jones Average. A gradual recovery in the US steadied London towards the close. Turnover was a healthy 699.2m *shares.*

Account Dealing Dates

*First Dealings:		
May 10	May 24	Jun 7
Option Declarations:		
May 20	Jun 3	Jun 17
Last Dealings:		
May 21	Jun 4	Jun 18
Account Day:		
Jun 1	Jun 14	Jun 28

*New time dealings may take place from 8.00am two business days earlier.

FT-A All-Share Index



Source: FT Graphite

Property cash calls rumoured

A SPATE of rights issues in the property sector was being predicted following Brixton Estates successful £100.7m cash call yesterday.

Analysts said the renewed appetite for the sector was likely to encourage other property groups to come to the market. Hammerson in particular, and MEPC, were widely tipped to follow suit within the next two weeks. They would be likely to seek combined funds in the region of £500m, and smaller property companies are also likely to join the fray.

Rights issues are seen as important for those companies needing to buy good quality properties to ensure healthy cash flow. Meanwhile, with property shares again racing forward yesterday, some property specialists underlined their caution over embracing the whole sector. Mr Marc Gilbard at NatWest Securities said: "We prefer to be more selective. While institutional appetite is high at the moment and supporting both issues and share rises, when it runs out the quality differentiation will return."

A more bullish Mr Andrew Causer at James Capel said: "The sector has gone ballistic. Investors should be buying across the board for a significant recovery in the direct market in 1994 and 1995."

Among the leaders, Land Securities jumped 9 to 574p, British Land 12 to 314p and MEPC 7 to 437p. Brixton's rise of 11 to 207p seemed to support criticism from some analysts that the rights issue discount was too large. The cash call talk around Hammerson pulled the 'A' shares back to close 2 down at 337p.

Banks marked down

A welter of 'also-ran' recommendations in the banking sector was countered by the realisation that the sector index *had closed above the FT-All* share for the first time in 16 years.

Rather than celebrate, marketmakers on the banking pitches took the moment as a perfect opportunity to take profits and most of the banks closed down on the day.

The morning rise was partly prompted by BZW which issued a buy note saying banks had benefited from recession by being able to justify greater charges and cutting costs. Also, Mr John Aitken at UBS recommended NatWest and Lloyds after raising 1993 forecasts.

NatWest was marked up 14 in early trading but sold down throughout the day to close 2 lower at 473p. Lloyds was 11 higher but closed a net 7 off at 541p and Barclays turned around from a high of 470p to end the day 3 lighter at 457p.

The day's exceptions were *Bank of Scotland* and *Royal Bank of Scotland* which rose 5 to 146p and 4 to 282p respectively. They benefited from a sharp rise in results announced by National Australia Bank.

LIG declines

Condom manufacturer and photo processor London International saw its shares fall 7 to 178p on news that Superdrug *the high street retailer had* slashed the price of condoms by a third. The news led to *fears of a price war in the same* mould as recent battles over perfume and suncare products. One analyst pointed out that prices cuts were most likely to be suffered by the retailer rather than the manufacturer.

Nevertheless, the concerns gave an opportunity for dealers to mark down the price of what has become an unloved stock following a poor performance by its photo processing arm and a recent censure by the stock exchange over the selective dispensing of information. Also dragged into the mire was Boots, which fell 11 to 435p, with Morgan Stanley said to have also downgraded its profit forecast.

Lubricants and chemicals company Burmah Castrol fell sharply as financial advisers drew parallels with Brent *Chemicals, which issued a* profits warning on Thursday.

Both companies have significant exposure to Germany – Burmah generates a fifth of its turnover there – and there was additional pressure from a weak D-Mark.

Burmah's shares were off 22 at one stage but securities house SGST argued that the company was "one of the few reliable success stories around", and advised clients to see the price weakness as a buying opportunity. The shares recovered to close 15 lower at 688p.

Brent bounced 3 to 102p but other chemicals groups were dragged down by the worries it expressed. Courtaulds fell 10 to 517p and Laporte lost 6 to 607p.

Kleinwort Benson was one broker said to be recommending the regional electricity stocks, strong in recent sessions on dividend hunting ahead of the results season. East Midlands, which announced a restructuring yesterday, added 8½ to 457p and Norweb 12 to 503p.

British Gas fell 8½ to 285½p on renewed concern over an on-going Monopolies and Mergers Commission inquiry, due to report at the end of July, and negative press coverage of the company's earnings prospects.

Profit-taking in Next, following the group's agm, sent the shares down 6½ to 164½p. retail sales were in line with forecasts but hopes had been raised after bullish noises from other retailers – with a consequent rise in the shares.

An agency cross in Morrison Supermarkets of 4.8m, left the shares a penny adrift at 161p.

Shares in Bass, which have fallen 15 per cent in three days following poor results, tested the 450p level before finding support. *They closed 2 ahead* at 464p.

P&O, with substantial property interests, was one of the main beneficiaries of the re-appraisal of property stocks. Strong demand from Salomons saw the shares jump sharply but they came back on subsequent profit-taking to close 11 better at 603p. Ladbroke Group, also exposed to property, gained 3 to 179p.

Recovery buying boosted British Airways and the shares put on 9 to 310p. Volume was 4.3m at the close. Volume in Vickers jumped to 4.7m after an agency cross of 2.2m shares. The stock hardened a penny to 142p. Strong two-way business in British Steel saw the shares firm 1¼ to 99¼p.

Securiguard, the subject of a bid from Rentokil Group, *added 2 to 292p, on speculation* that its predator would be forced to make a higher offer to win control. Talk of an alternative offer was also heard. Rentokil eased 3 to 185p.

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Peter John, Joel Kibazo.

■ Other statistics, Page 11.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group†	10,000	67½	+½	Dalgety	222	428	-2	Lucas	3,400	135		Shell Transport†	2,800	604	-2
Abbey National†	2,500	411	-2	De La Rue†	285	852	-1	MB Caradon†	1,700	319	-1	Siebe†	371	458	-3
Albert Fisher	191	64	-1	Dixons	472	213	+3	MEPC	387	437	+7	Slough Ests	2,200	218	-10
Allied-Lyons†	3,700	530	+11	Eastern Elect.	372	489	+5½	MFI	3,600	134	+1	Smith (W H) A	244	438	
Amstrad	5,900	31¼	-1	East Midland Elect.	881	457	+8½	Manweb	249	523	+10	Smith & Nephew†	2,000	142½	+½
Anglian Water†	484	480	-3	Eng China Clays†	315	430	-8	Marks & Spencer†	4,800	336		SmKl Beecham†	2,300	487	-10½
Argos	481	334		Enterprise Oil†	440	459		Midlands Elect.	1,200	484½	+3½	SmKl Beecham Uts.†	1,100	421	-1½
Argyll Group†	8,000	301½	+3½	Eurotunnel Units	37	394		Morrison (Wm.)	9,800	161	-1	Smiths Inds.	288	351	-5
Arjo Wiggins†	4,300	181		FKI	764	133		NFC†	685	258	+8	Southern Elect.†	1,400	468	+8½
Ass. Brit. Foods†	106	470	-1	Fisons†	3,400	161		NatWest Bank†	8,000	473	-2	South Wales Elect.	174	533	+7
Ass. Brit. Ports	140	415	+1	Foreign & Col. I.T.	887	223½		National Power†	3,300	334	-4½	South West Water	180	504	-3
BAA†	853	745	-2	Forte†	804	199	+3	Next	2,900	164½	-6½	South West. Elect.	820	487	+5
BAT Inds.†	2,800	837	-2½	Gen. Accident†	531	568		North West Water†	405	479	-6	Southern Water	618	486	-5
BET	2,800	104	-3	General Elect.†	3,200	315½	-1½	Northern Elect.	302	506	+5	Standard Chartd†	658	719	-14
BICC	1,500	385	-3	Glaxo†	6,200	829	-8	Northern Foods†	6,300	261	-2	Storehouse	2,500	198	
BOC†	1,100	682	+2	Glynwed Int.	275	308	+2	Norweb	617	503	+12	Sun Alliance†	3,400	327	-4
BP†	8,700	307½		Granada†	3,300	398	-2	Pearson†	354	449	-1	T&N	400	169	+1
BPB Inds.	1,700	340	+5	Grand Met.†	4,200	397	+5	P & O†	3,300	603	+11	TI Group†	954	319	-2
BT†	3,400	407	-½	GUS A†	205	1623	-10	Pilkington	3,800	131	+2	TSB†	3,100	163	-1
BTR†	1,700	592	+2	GRE†	2,800	177	+3	PowerGen†	654	344	-4½	Tarmac	1,100	138	+1
Bank of Scotland†	4,200	146	+5	GKN	117	445	+4	Prudential†	2,800	315½	-2½	Tate & Lyle†	1,300	384	-8
Barclays†	6,800	457	-3	Guinness†	3,600	451	+3	RMC	450	716	+1	Taylor Woodrow	987	111	-1
Bass†	3,800	464	+2	HSBC (75p shs)†	1,100	605	-7½	RTZ†	1,800	637		Tesco†	3,600	212	+3
Blue Circle†	1,800	250	+1	Hammerson 'A'	1,100	337	-2	Racal	558	198	-1	Thames Water†	408	499	-6
Booker	198	371	+2	Hanson†	8,800	235½	+3	Rank Org.†	690	718	+3	Thorn EMI†	803	834	+6
Boots†	2,900	435	-11	Hanson Warrants	2,300	23½		Reckitt & Colman†	1,400	533	-8	Tomkins†	3,400	228	-1
Bowater†	1,600	488	+2	Harrisons Crosfield	2,100	184		Redland†	1,000	495	+3	Trafalgar House	647	96	+½
Brit. Aerospace	1,100	327	-4	Hillsdown	4,000	140	+1	Reed Intl.†	597	646		Unigate	249	334	-10
British Airways†	4,300	296½		IMI	172	282	-2	Rentokil†	1,100	185	-3	Unilever†	1,800	999	+3
British Gas†	10,000	285½	-8½	ICI†	1,300	1363	+3	Reuters†	770	1290	+17	United Biscuits†	2,500	398	-7
British Land	1,000	314	+12	Inchcape†	684	556	-5	Rolls Royce	3,000	145		Utd. Newspapers	740	603	+8
British Steel†	6,100	99¼	+1¼	Johnson Matthey	152	453	-11	Rothmans†	543	636	+9	Vodafone†	4,600	419	-1
Bunzl	641	125	-2	Kingfisher†	1,000	591	-1	Ryl Bk. Scotland†	3,300	282	+4	Warburg (SG)	403	705	+5
Burmah Castrol†	1,000	688	-15	Kwik Save†	109	778		Royal Insurance†	1,100	290		Wellcome†	1,100	772	+2
Burton	782	84	+½	Ladbroke†	5,500	179	+3	Saatchi	830	182	+15	Welsh Water	19	553	-7
Cable & Wire.†	1,400	714	+4	Land Securities†	2,800	574	+9	Sainsbury†	2,300	468	+6	Wessex Water	350	572	-1
Cadbury Schweppes†	4,800	414	-8	Laporte	300	607	-6	Scottish & New.†	881	445	+4	Whitbread 'A'†	1,600	475	+7
Calor Group	184	342	-1	Legal & General†	1,000	467		Scot. Hydro-Elect.†	1,000	328	-3	Williams Hldgs.†	1,300	322	+1
Carlton Comms.†	1,600	734	+4	Lloyds Abbey	1,400	420	-8	Scottish Power†	4,400	308½	-5½	Willis Corroon	2,500	198	+2
Coats Viyella†	719	234	+1	Lloyds Bank†	4,500	541	-7	Sears†	5,800	89	+½	Wimpey	1,000	184	+2
Coml. Union†	1,100	560	-6	LASMO†	4,200	148	-½	Sedgwick	2,700	186	+2	Wolseley	453	652	+18
Cookson	872	234	+4½	London Elect.	837	465	+4½	Seeboard	886	498	+2	Yorkshire Elect.	753	509	+1½
Courtaulds†	596	517	-10	Lonrho	5,300	116½	-1	Severn Trent Water†	1,700	477	-5	Yorkshire Water	125	516	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FINANCIAL TIMES EQUITY INDICES

	May 21	May 20	May 19	May 18	May 17	Year ago	* High	* Low
Ordinary share	2187.4	2188.9	2194.2	2216.5	2224.9	2148.7	2299.5	2124.7
Ord. div. yield	4.25	4.26	4.21	4.21	4.18	4.32	4.52	4.07
Earning yld % full	6.13	6.14	6.13	6.08	6.19	6.35	6.38	5.79
P/E ratio net	20.05	20.03	20.05	20.24	19.96	19.70	22.04	18.40
P/E ratio nil	18.71	18.69	18.71	18.89	18.64	18.28	20.30	18.14
Gold Mines	185.3	178.3	185.6	185.6	188.8	111.9	185.6	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35: Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2189.3	2185.7	2188.9	2194.6	2186.8	2185.9	2184.3	2181.3	2188.3	2195.7	2179.9

Volume	May 21	May 20	May 19	May 18	May 17	Year ago
SEAQ Bargains	33,158	28,241	28,436	28,598	30,271	31,464
Equity Turnover(£m)†	-	1696.1	1327.7	1246.4	1023.2	937.8
Equity Bargains†	-	33,234	32,446	33,158	34,793	34,674
Shares traded (mil)†	-	616.2	573.1	577.4	504.8	438.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday May 21

Gold Mines Index	+	289.98	Chemicals	+	4.37
Property	+	35.93	Transport	+	4.17
Contracting, Construction	+	33.65	Motors	+	3.97
Merchant Banks	+	33.23	Conglomerates	+	3.94
Metals & Metal Forming	+	30.86	Business Services	+	2.16
Engineering-Aerospace	+	29.70	FT-A All-Share	+	2.11
Building Materials	+	23.77	Insurance Brokers	+	1.96
FT-SE SmallCap ex Inv Tst	+	18.81	Other Industrials	+	1.64
FT-SE SmallCap	+	17.90	Other Groups	+	1.31
Banks	+	16.63	FT-SE-A 350	+	1.23
Financial Group	+	15.58	Water	+	1.09
Electricals	+	13.95	Telephone Networks	+	0.75
Electronics	+	13.02	"500" Share Index	-	0.29
Capital Goods	+	12.47	Insurance (Composite)	-	0.87
Insurance (Life)	+	12.08	FT-SE 100	-	1.20
FT-SE Mid 250	+	10.55	Industrial Group	-	1.30
Investment Trusts	+	9.38	Hotels & Leisure	-	2.22
Engineering-General	+	9.17	Stores	-	2.76
Oil & Gas	+	8.66	Food Manufacturing	-	4.71
Electricity	+	7.55	Consumer Group	-	7.98
Packaging, Paper & Printing	+	6.65	Food Retailing	-	11.43
Textiles	+	6.58	Brewers & Distillers	-	13.46
Media	+	5.39	Health & Household	-	15.93

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (148).
BRITISH FUNDS (1) Treas. 7¼pc '98 A, AMERICANS (1) Lowe's, CANADIANS (1) Hawker Siddeley Can., BANKS (7) Bk. Scot., Barclays, Mitsubishi, Natl. Aust., NatWest, Sumitomo, Toyo T & B, BLDG MATLS (5) BPB, Br. Dredging, Johnston, Manders, Wolseley, BUSINESS SERVS (3) Br. Data Mngemt., ISS, Securiguard, CHEMS (2) Ellis & Everard, Porvair, CONGLOMERATES (1) Cannon St. Inv., CONTG & CONSTRCN (5) Ashtead, Crest Nicholson, Gleeson, Hewden-Stuart, McAlpine, ELECTRICALS (1) BICC, ELECTRONICS (1) Control Techs., ENG GEN (3) Haden MacLellan, Richardsons Westgarth, Vosper, FOOD RETAILING (1) Greggs, HEALTH & HSEHOLD (1) Swallowfield, INSCE COMPOSITE (1) Domestic & Gen., INV TRUSTS (27) Brazilian Inv., Do Wts., Candover, City of Oxford Zero Pf., Cons. Venture, EFM Inc., Elect. & Gen., Fleming High Inc., Gartmore Emrg. Pac., Gartmore Scot., Henderson Strats, Jos Cap., Lloyds Smllr. Co's Cap., M & G Recovery Pckg. Units, Do Zero Pf., Martin Currie Pac., Do Wts., Mezzanine Cap. & Inc., Oriental Smllr. Co's, RIT Capl., Do 2½pc Cv. '00, River & Merc. Geared Prf., Scot. Asian Wts., Second Cons., TR Prop., Templeton Emrg. Mkts, Wts., Yeoman, MEDIA (8) Holmes Marchant, Metro Radio, Mirror, Seeding Publs., Taylor Nelson AGB, Trinity, Ulster TV, WPP, Walmoughs, MERCHANT BANKS (2) Kleinwort Benson, Warburg, MTL & MTL FORMING (3) Castings, Cook (Wm), Cooper (Fr), MISC (8) AB Consulting, Airsprung Furn., Danka, Fairway, Frost, Gt. Southern, Lionheart, Young (H), OIL & GAS (2) Aminex, Blackland, OTHER FINCL (1) East German Inv., PACKG, PAPER & PRINTG (5) Capital Inds., Enso-Gutzeit, Jarvis Porter, Kymmene, Stat-Plus, PROP (33) Allied London, Asda Prop., Bartows, Bilton, British Land, Do. 8¾pc Cv. Pf., Brixton Est., Burford, Dencora, Derwent Valley, Evans of Leeds, Five Oaks, Gt. Portland, Green Prop., Hambro Countrywide, Helical Bar, Hemingway, Land Sec., MEPC, Molyneux, PSIT, Saleland, Savills, Scot. Metropolitan, Shaftesbury, Slough Ests., Southend Prop., Do Wts., Tops Ests., Town Centre, Trafford Park, Warner Est., Wates City of Lon., STORES (1) Kleeneze, TEXTS (6) Albion, Alexandra Workwear, Dewhirst, Gaskell, Lamont, Leeds, TRANSPORT (6) Br. Airways 9¾pc Cv., Dawsongroup, Forth Ports, P & O 5½pc Prfd., Sea Cntrs., TIP Europe, SOUTH AFRICANS (1) Gold Fields, MINES (10).

NEW LOWS (36).
BRITISH FUNDS (3) Treas. 12½pc '93, Treas. 13¾pc '93, Exch. 13½pc '94, BREWERS (1) Bass, BLDG MATLS (1) Chieftain, BUSINESS SERVS (3) Hogg Robinson, Rentokil, Sherwood Cmptr., CHEMS (2) Allied Colloids, Courtaulds, CONTG & CONSTRCN (2) Andrews Sykes, Baris, ELECTRONICS (2) Forward Tech., Linx, ENG GEN (1) Simon Eng., FOOD MANUF (6) Cadbury Schweppes, Dalgety, Tate & Lyle, Do 7¾pc Pf., Unilever, FOOD RETAILING (1) Argyll, HEALTH & HSEHOLD (6) Bespak, Haemocell, London Intl., Proteus, Reckitt & Colman, Smith & Nephew, INSCE BROKERS (1) Bradstock, INSCE COMPOSITE (1) Comm. Union, INV TRUSTS (1) Kleinwort Endowment Policy, MEDIA (1) Radio Clyde, MISC (3) Business Tech., Cosalt, Shanks & McEwan, OTHER INDLS (1) Williams 8p Prf., STORES (1) Owen & Robinson.

EQUITY FUTURES AND OPTIONS TRADING

WORRIES that the London market might have to soak up a spate of rights issues and fears of a turnaround on Wall Street led to a slide in stock index futures yesterday, writes Joel Kibazo.

In a volatile session, the June contract on the FT-SE started trading at 2,828. A sizeable sell order brought a decline but June was later boosted by the late morning release of favourable inflation figures. It was then that June hit the day's high of 2,832.

However, talk of a flood of rights issues particularly in the property sector, and fears that the New York market would start to tumble following its recent strength once again encouraged strong selling and the contract fell to the day's low of 2,803 in the last half hour of trading.

June finished at 2,812, more or less in line with the cash market on volume of around 11,000 contracts.

The main feature in the traded options was the expiry of the May Index options at 10.30 am. Total volume was 35,517 lots with Land Securities the most active issue.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	113.3818	-0.386	7.59	7.52	7.53
BELGIUM		9.000	03/03	110.8000	-	7.41	7.43	7.45
CANADA *		7.250	06/03	97.4500	0.050	7.62	7.73	7.29
DENMARK		8.000	05/03	103.6000	-0.050	7.47	7.50	7.69
FRANCE	BTAN	8.000	05/98	105.6936	-0.003	6.61	6.63	6.92
	OAT	8.500	04/03	109.3100	-	7.15	7.13	7.13
GERMANY		6.75	04/03	99.0550	-0.120	6.88	6.77	6.63
ITALY		11.500	03/03	97.8350	0.040	12.23†	12.48	13.10
JAPAN	No 119	4.800	06/99	101.0943	0.191	4.57	4.41	4.14
	No 145	5.500	03/02	105.5178	-0.070	4.62	4.50	4.22
NETHERLANDS		7.000	02/03	102.0000	-0.250	6.70	6.64	6.53
SPAIN		10.300	06/02	96.1035	1.081	10.99	11.16	11.57
UK GILTS		7.250	03/98	100-17	-1/32	7.11	7.11	6.96
		8.000	06/03	99-16	-3/32	8.07	8.09	7.87
		9.000	10/08	104-16	-5/32	8.47	8.52	8.29
US TREASURY *		6.250	02/03	101-00	-9/32	6.11	6.03	5.85
		7.125	02/23	101-13	-13/32	7.01	6.96	6.73
ECU (French Govt)		8.000	04/03	103.4500	-0.260	7.49	7.54	7.62

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	37	18	23	168	133	89
Other Fixed Interest	3	0	12	22	6	47
Commercial, Industrial	258	292	850	1,382	1,337	4,281
Financial & Property	182	104	531	785	523	2,681
Oil & Gas	21	21	42	69	113	238
Plantations	0	0	8	1	1	38
Mines	43	17	79	199	167	329
Others	56	37	22	215	181	180
Totals	580	489	1,567	2,841	2,461	7,883

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2812.2 -4.6	3165.1 +5.0	1392.63 -1.01

	May 21	Day's change	May 20	May 19	May 18	year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2812.2	-0.2	2816.8	2819.7	2847.3	2715.0	6.46	4.05	19.17	41.01	2957.3 8/3	2737.6 19/1	2957.3 8/3/93	986.9 23/7/84
FT-SE Mid 250	3165.1	+0.2	3160.1	3149.0	3151.2	2822.0	5.92	3.67	21.69	34.52	3165.1 21/5	2876.3 13/1	3165.1 21/5/93	1379.4 21/1/86
FT-SE-A 350	1405.6	-0.1	1406.9	1408.9	1417.8	1334.0	6.34	3.97	19.67	19.33	1457.1 8/3	1348.7 19/1	1457.1 8/3/93	664.5 14/1/86
FT-SE SmallCap	1607.88	+0.2	1605.44	1603.10	1603.49	-	4.54	3.54	31.07	17.62	1607.88 21/5	1377.88 4/1	1607.88 21/5/93	1363.79 31/12/92
FT-SE SmallCap ex Inv Trusts	1620.28	+0.2	1616.87	1614.00	1614.02	-	5.02	3.74	28.95	18.63	1620.28 21/5	1380.06 4/1	1620.28 21/5/93	1363.79 31/12/92
FT-A ALL-SHARE	1392.63	-0.1	1393.64	1393.51	1403.74	1319.18	6.23	3.94	20.14	18.92	1438.22 8/3	1330.19 19/1	1438.22 8/3/93	61.92 13/12/74
1 CAPITAL GOODS(213)	985.05	----	984.67	982.80	984.48	925.01	4.81	3.91	27.67	14.35	985.71 17/5	869.89 13/1	1038.07 16/7/87	50.71 13/12/74
2 Building Materials(27)	1100.32	+0.7	1093.12	1087.38	1094.89	1102.83	4.61	4.41	28.61	18.33	1103.27 17/5	882.89 12/1	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction(29)	988.07	-0.1	989.41	988.92	987.76	1054.29	1.89	3.31	80.00†	11.57	988.92 19/5	718.61 20/1	1951.50 16/7/87	71.48 2/12/74
4 Electricals(15)	2916.21	-0.4	2927.39	2900.67	2888.59	2758.50	5.13	4.63	24.82	85.13	2927.39 20/5	2533.89 13/1	3040.80 8/9/89	84.71 25/6/62
5 Electronics(37)	2660.78	-0.3	2669.50	2663.40	2575.38	2020.69	5.95	3.01	21.25	19.74	2692.70 15/4	2304.14 18/1	2692.70 15/4/93	1229.01 8/10/85
6 Engineering-Aerospace(7)	384.65	-0.7	387.53	389.15	387.32	401.59	‡	3.84	‡	4.81	389.15 19/5	294.58 13/1	502.42 13/6/90	243.47 24/11/92
7 Engineering-General(51)	560.44	-0.2	561.79	563.53	562.86	567.21	6.83	3.76	18.42	7.06	569.15 12/5	519.76 12/1	569.15 12/5/93	339.57 23/1/91
8 Metals & Metal Forming(11)	422.63	+0.3	421.54	422.98	423.20	374.79	4.09	2.81	35.13	0.66	423.73 17/5	319.37 5/1	596.67 9/10/87	49.65 6/1/75
9 Motors(18)	391.73	+0.1	391.43	390.03	393.89	401.85	4.97	5.63	28.90	9.52	408.60 3/2	360.99 25/1	411.42 13/10/87	19.91 6/1/75
10 Other Industrials(18)	2032.58	+0.2	2028.98	2021.96	2021.29	1898.64	5.74	4.04	20.99	37.38	2133.68 1/4	1948.15 19/1	2133.68 1/4/93	277.55 15/1/81
21 CONSUMER GROUP(234)	1620.88	----	1620.93	1633.37	1650.45	1734.42	7.09	3.52	17.27	18.71	1773.10 4/1	1620.88 21/5	1773.10 4/1/93	61.41 13/12/74
22 Brewers and Distillers(29)	1817.19	+0.9	1800.90	1842.82	1899.06	2234.06	8.80	4.03	13.65	20.05	2091.43 4/1	1800.90 20/5	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing(22)	1266.93	-0.6	1274.08	1295.99	1318.42	1284.15	7.73	4.00	15.82	22.09	1471.34 10/3	1266.93 21/5	1471.34 10/3/93	59.87 11/12/74
26 Food Retailing(18)	2886.25	+0.9	2861.30	2882.18	2881.37	2876.66	6.81	3.57	14.49	19.56	3427.94 28/1	2861.30 20/5	3427.94 28/1/93	54.25 11/12/74
27 Health & Household(29)	3591.25	-1.1	3630.47	3624.48	3649.70	4161.31	6.36	3.17	18.04	41.02	4307.85 4/1	3271.97 13/4	4654.94 14/1/92	175.38 28/5/80
29 Hotels and Leisure(20)	1264.76	+0.5	1259.07	1258.51	1272.13	1423.76	6.55	4.80	19.39	25.13	1365.28 9/3	1239.46 13/5	1845.77 8/9/89	54.83 9/1/75
30 Media(33)	1931.60	+0.8	1916.17	1902.92	1905.52	1672.76	5.16	2.64	23.89	22.97	1931.60 21/5	1813.01 25/1	1931.80 21/5/93	1188.91 18/1/91
31 Packaging and Paper(24)	836.83	-0.1	837.27	835.08	838.66	856.96	6.16	3.47	19.69	10.34	877.44 23/4	781.26 19/1	877.44 23/4/93	43.46 6/1/75
34 Stores(39)	1134.63	-0.4	1138.86	1154.94	1160.57	1124.67	6.39	3.17	20.27	8.36	1188.99 22/4	1086.51 11/2	1188.99 22/4/93	52.63 6/1/75
35 Textiles(20)	801.24	+0.2	799.98	804.20	803.43	753.23	5.72	3.83	22.28	10.92	819.38 19/3	748.75 18/1	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS(142)	1464.23	+0.1	1462.57	1460.08	1469.46	1355.00	7.89	4.33	15.36	18.21	1545.50 8/3	1422.06 19/1	1545.50 8/3/93	58.63 6/1/75
41 Business Services(27)	1560.00	-0.8	1572.60	1583.27	1594.23	1505.75	6.15	3.23	19.75	14.18	1697.14 8/3	1546.00 4/1	1697.14 8/3/93	892.28 1/2/91
42 Chemicals(23)	1495.08	-0.2	1498.45	1494.54	1504.08	1589.81	8.01	4.63	21.02	24.63	1571.12 11/3	1420.38 13/1	1829.99 8/5/92	71.20 1/12/74
43 Conglomerates(11)	1447.75	+0.7	1437.96	1437.55	1453.35	1442.25	7.25	5.20	15.53	19.36	1536.59 8/3	1394.85 6/4	1819.46 11/8/89	975.19 10/11/87
44 Transport(16)	2893.14	+1.2	2858.87	2847.34	2843.21	2788.86	6.44	3.88	19.14	42.62	2971.50 10/3	2698.55 13/1	2971.50 10/3/93	90.80 29/6/62
45 Electricity(16)	1700.78	-0.1	1702.65	1677.47	1673.73	1323.09	12.74	4.27	10.09	29.90	1804.98 13/4	1528.06 3/2	1804.98 13/4/93	994.98 7/1/91
46 Telephone Networks(4)	1701.89	----	1701.71	1716.04	1732.00	1505.86	5.91	3.92	20.96	1.63	1807.78 8/3	1609.91 21/1	1807.78 8/3/93	517.92 30/11/84
47 Water(13)	3311.69	-0.9	3340.53	3328.36	3312.06	2915.00	13.61	5.02	8.18	11.83	3719.52 7/4	3147.09 21/1	3719.52 7/4/93	1620.20 1/5/90
48 Miscellaneous(32)	2236.29	+0.5	2224.18	2204.31	2243.86	2140.17	7.62	4.54	15.81	41.41	2532.51 1/4	2204.31 19/5	2533.67 22/12/92	80.39 6/7/75
49 INDUSTRIAL GROUP(586)	1422.12	----	1421.48	1426.11	1435.57	1414.83	6.91	3.87	17.85	17.04	1490.80 11/3	1405.86 19/1	1490.80 11/3/93	59.01 13/12/74
51 Oil & Gas(16)	2448.26	-0.9	2469.27	2466.57	2497.46	2126.10	5.70	4.47	22.26	47.45	2536.85 13/5	2107.67 19/1	2538.85 13/5/93	87.23 29/5/62
59 "500" SHARE INDEX(807)	1512.98	-0.1	1513.81	1517.19	1529.06	1483.81	6.78	3.94	18.25	19.37	1577.14 11/3	1474.32 19/1	1577.14 11/3/93	63.49 13/12/74
61 FINANCIAL GROUP(89)	1016.08	-0.2	1017.76	1005.19	1010.75	797.45	4.05	4.17	36.44	18.94	1017.76 20/5	868.79 13/1	1017.76 20/5/93	55.88 13/12/74
62 Banks(9)	1398.13	-0.6	1406.97	1385.71	1395.11	1010.32	4.98	3.86	27.32	28.46	1406.97 20/5	1183.93 13/1	1406.97 20/5/93	62.44 12/12/74
65 Insurance (Life)(6)	1984.42	-0.4	1992.00	1980.36	1979.68	1590.86	4.83	4.50	28.16	47.49	2087.44 13/4	1724.99 13/1	2087.44 13/4/93	44.88 2/1/75
66 Insurance (Composite)(7)	625.70	-0.2	627.03	629.53	635.86	558.43	‡	4.96	‡	15.80	672.44 19/3	617.22 19/1	788.11 29/12/89	43.96 13/12/74
67 Insurance Brokers(10)	793.62	+0.5	789.37	776.70	784.63	996.81	7.18	4.59	18.70	11.10	845.30 11/3	761.21 28/4	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks(6)	671.88	+0.4	669.23	666.82	666.85	521.89	7.00	3.27	18.02	4.71	671.86 21/5	505.48 11/1	671.86 21/5/93	31.21 7/1/75
69 Property(28)	874.31	+2.4	853.47	825.61	826.80	729.56	5.14	4.57	28.17	5.26	874.31 21/5	638.39 5/1	1396.87 5/9/89	58.01 20/4/65
70 Other Financial(23)	359.22	-0.7	361.77	361.85	362.31	271.22	6.52	4.62	19.93	3.43	362.31 18/5	297.66 13/1	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts(108)	1466.78	-0.1	1467.83	1465.85	1470.65	1261.15	2.24	2.81	44.67	13.49	1479.90 8/3	1321.21 11/1	1479.80 8/3/93	71.12 13/12/74
99 FT-A ALL-SHARE(804)	1392.63	-0.1	1393.64	1393.51	1403.74	1319.18	6.23	3.94	20.14	18.92	1438.22 8/3	1330.19 19/1	1438.22 8/3/93	61.92 13/12/74

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	High/day	Low/day
FT-SE 100	2822.8	2815.8	2818.6	2821.1	2812.4	2810.7	2807.6	2806.2	2811.8	2812.2	2823.5	2801.1
FT-SE Mid 250	3165.3	3165.8	3164.8	3165.7	3163.5	3165.2	3164.8	3162.8	3164.9	3165.1	3168.4	3162.3
FT-SE-A 350	1409.7	1407.1	1408.1	1409.1	1405.5	1405.0	1403.8	1402.6	1405.4	1405.6	1410.0	1401.1

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Prev close	change
Constrcn	1946.1	1945.3	1943.5	1941.9	1940.2	1941.0	1940.2	1937.6	1939.8	1940.3	1947.9	-7.6
Health & H	1089.6	1089.0	1086.2	1085.2	1080.5	1080.8	1079.8	1077.9	1081.2	1081.8	1093.6	-11.8
Water	1381.0	1380.3	1379.0	1377.0	1374.6	1374.6	1374.9	1373.0	1366.0	1366.5	1378.9	-12.4
Banks	1731.0	1718.1	1715.9	1720.0	1711.0	1703.8	1698.6	1695.3	1700.3	1699.3	1709.8	-10.5

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE SmallCap	31/12/92	1363.79	Engineering - General	29/12/89	486.00	Other Financial	31/12/70	128.06
FT-SE SmallCap exInv Trust	31/12/92	1363.79	Water	29/12/89	1968.45	Food Manufacturing	29/12/67	114.13
FT-SE Mid 250	31/12/85	1412.60	Conglomerates	31/12/88	1114.07	Food Retailing	29/12/67	114.13
FT-SE-A 350	31/12/85	682.94	Telephone Networks	30/11/84	517.92	Insurance Brokers	29/12/67	96.67
FT-SE 100	31/12/83	1000.00	Electronics	30/12/83	1646.65	All Other	10/4/62	100.00
Business Services	31/12/90	999.65	*Other Industrial Materials*	31/12/80	287.41	British Government	31/12/75	100.00
Electricity	31/12/90	999.65	Health/Household Products	30/12/77	261.77	*Do. Index-linked*	30/4/82	100.00
Media	31/12/90	1228.68	Other Groups	31/12/74	63.75	Debs & Loans	31/12/77	100.00
Engineering - Aerospace	29/12/89	486.00	Industrial Group	31/12/70	128.20			

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.05.93: Pool purchase price £/MWh	Final Prices for Trading on 24.04.93: Pool purchase price £/MWh	Final Prices for Trading on 24.04.93: Pool selling price £/MWh
0030	25.05	18.54	18.54
0100	25.05	18.46	18.46
0130	25.05	18.77	18.77
0200	28.50	31.00	34.31
0230	28.50	35.00	38.45
0300	24.96	35.00	38.54
0330	23.12	24.07	27.13
0400	23.12	23.54	26.59
0430	23.11	23.54	26.68
0500	23.11	18.54	18.54
0530	23.27	18.48	18.48
0600	22.99	18.54	18.54
0630	23.27	24.16	27.52
0700	23.27	18.54	18.54
0730	24.51	24.16	27.44
0800	25.73	25.03	28.29
0830	26.11	25.16	28.37
0900	27.09	27.02	30.29
0930	37.80	28.60	31.87
1000	37.80	38.76	42.44
1030	37.80	38.76	42.44
1100	37.80	38.76	42.46
1130	28.06	28.60	31.87
1200	27.09	28.80	31.88
1230	26.71	27.02	30.23
1300	25.73	27.02	30.21
1330	25.73	27.02	30.17
1400	25.17	27.02	30.18
1430	25.01	25.25	28.35
1500	23.91	18.67	18.67
1530	18.67	18.64	18.64
1600	18.67	18.64	18.64
1630	23.91	18.64	18.64
1700	25.01	27.77	30.97
1730	25.46	27.02	30.16
1800	25.46	27.77	30.95
1830	25.46	27.77	30.97
1900	25.46	27.77	30.98
1930	25.46	18.77	18.77
2000	25.46	18.67	18.67
2030	25.46	18.77	18.77
2100	25.46	30.55	33.85
2130	24.27	30.55	33.85
2200	32.00	30.55	33.86
2230	32.00	27.77	31.00
2300	29.24	26.87	30.09
2330	23.63	26.87	30.23
2400	23.27	18.54	18.54

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	151.7	153.2	161.2	-0.20	0.00
AIB Grofund Equity	5	202.8	205.7xd	217.7	+0.20	3.31
AIB Grofund Euro	5	156.8	160.6	168.0	-1.10	0.00
AIB Grofund Expl Balanced	3	100.2	101.9	105.1	—	1.63
AIB Grofund Gilt	3	77.06	77.06	79.46	-0.02	6.19
AIB Grofund Japan	5	166.4	167.6	176.7	+1.80	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	414.8	416.7	443.4	-1.1	2.43
General Acc	5	455.0	457.1	486.3	-1.1	2.43
UK Growth Acc	6	305.1	307.4xd	327.1	-1.1	2.76
UK Growth Inc	6	214.7	217.7xd	231.7	-0.8	2.75
Higher Inc Acc	6	554.1	562.4xd	598.4	-1.4	3.73

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412282

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd Ptfolio Inc	6	91.56	91.55	97.50	+0.03	2.04
Mngd Ptfolio Acc	6	173.0	173.0	184.3	+0.10	–
UK General	6	149.4	149.4xd	159.8	-0.20	3.04
European Inc	6	21.52	21.52	23.18	-0.13	0.49
European Acc	6	22.22	22.22	23.87	-0.13	–
Financial	6	122.7	122.7	130.7	+0.70	3.20
Foundation	6	74.77	76.71	81.70	-0.17	3.26
German	6	39.27	39.27	42.12	-0.21	0.10
Growth Inc †(5-1)	6	27.20	27.20xd	29.03	+0.09	3.03
Growth Acc †(5-1)	6	31.67	31.67	33.80	+0.10	–
High Income	6	70.10	70.10	75.30	+0.02	6.95
Income	6	123.3	125.6xd	134.4	-0.30	4.09
Intl Income	6	92.19	92.19	98.18	-0.24	4.76
Intl Growth ♣	6	32.60	32.60	34.72	-0.07	0.23
Monthly Income	6	69.61	71.88	76.56	-0.10	4.18
North American	6	100.6	100.6	107.2	-0.10	0.20
Orient ♣	6	122.9	122.9xd	132.5	+1.80	–
Recovery	6	39.42	41.00xd	44.08	+0.27	2.54
Smaller Cos Acc	6	273.3	289.8	309.8	-1.00	–
Smaller Cos Inc	6	158.9	167.9xd	179.7	-0.50	1.20

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 5962

Discretionary Unit Fund Mngrs (1000)F
66 Wilson Street, London EC2A 2BL 071-377 8819

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Disc Inc May 21	5	181.4	181.4xd	189.9	—	3.62
Do Accum May 21	5	363.9	363.9xd	383.1	—	3.62

Dunedin Unit Tst Mngrs Ltd (1200)H
25, Ravelston Terrace, Edinburgh 031-315 2500

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Gwth	5	198.2	198.2	209.6	-0.9	1.16
New Asia	5	149.8	149.8	161.3	-0.5	0.63
Japan Growth	5	121.3	121.3	129.2	+1.3	0.00
Jap Smlr Co	5	467.4	467.4xd	497.3	+6.9	0.00
Nth Amer ♥	5	208.8	208.8	220.6	-1.1	1.18
Exempt	5	119.6	119.6	125.5	-0.5	3.39
UK Income & Growth	5	187.9	187.9	200.4	-0.6	4.00

Eagle Star Unit Mngrs Ltd (1000)F
Bath Road, Cheltenham GL53 7LQ 0242 577 555

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Balanced Inc	6	122.9	124.8	132.8	-0.40	2.53
UK Balanced Acc	6	143.4	145.7	155.0	-0.50	2.53
UK Growth Acc	6	201.5	204.9xd	218.0	-0.60	2.21
UK High Inc Inc	6	127.9	130.1xd	138.4	--	6.86
UK High Inc Acc	6	154.7	157.5xd	167.5	--	6.86
Nth America Acc	6	108.9	109.4	116.4	+0.20	0.33
European Acc	6	147.1	148.9	158.4	-1.00	0.44
UK Pref & F I Inc	6	59.07	59.07	63.60	+0.05	8.89

Gartmore Fund Managers - Contd.

Income Funds

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Preference Share	5¼	25.17	25.17xd			
High Income	5¼	30.98	30.98xd			
Global Bond*	3¾	28.80	28.80			
UK Equity Income	5¼	125.19	125.19			

International Funds

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Frontier Markets	5¼	39.75	39.75xd			
Global Inc & Gth	5¼	116.15	116.16xd			
Gold & Intl Res	5¼	84.28	84.28			
UK & International	5¼	110.12	110.12			

Overseas Funds

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	126.00	126.00			
European	5¼	78.61	78.61			
Euro Sel Opps	5¼	81.66	81.66			
American Emerging	5¼	77.25	78.02			
Hong Kong	5¼	111.84	112.80			
Japan	5¼	221.77	221.77			
Pacific Growth	5¼	152.27	152.61			

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
S & W American $	5	280.2	290.2	273.1	+1.8	0.72
S & W Capital	5	115.0	115.0	123.4	-0.1	1.73
S & W Cash $	0	100.77	100.77	100.77	+0.02	5.30
S & W European	5	108.2	108.2	118.5	-0.5	1.28
S & W Far Eastern	5	142.3	143.7	152.1	-1.4	0.00
S & W Growth	5	123.1	124.8	132.0		1.32
S & W Income	5	111.1	112.2	118.7	+0.4	4.57
S & W Magnum	5	121.7	121.7	130.7	-0.1	1.80
S & W Smllr Secs	5	311.5	318.0	338.4	+0.3	0.47
S & W Thoroughbred	5	140.6	140.6	151.1	-0.1	1.53

For Societe Generale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
Cash	1	49.87	49.87	50.17		5.3
Cntrld Prmnce	5½	55.33	55.86	59.59	-0.04	5.0
Ethical	5½	51.98	52.95	56.32	-0.16	4.0
European Growth	5½	54.88	55.02	58.68	-0.33	3.0
Income	5½	51.18	51.81	54.05	-0.05	5.7
Intl Growth	5½	76.26	76.78	81.87	-0.02	3.0
Managed	5½	68.15	68.85	73.43	-0.07	3.6
UK Growth	5½	55.23	55.81	59.55	-0.06	4.6

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
Managed Acc	5¼	42.82	42.82	46.50	-0.1	1.74
UK Equity Gth Acc	5¼	57.08	58.10	61.74	-0.1	1.75
UK Eq High Inc Inc	5¼	34.40	34.40	36.50	+0.3	4.03
UK Eq High Inc Acc	5¼	40.85	40.85	43.41	+0.3	4.03
UK Equity Gen Acc	5¼	52.78	53.78	57.13		2.34
UK Equity Gen Inc	5¼	39.93	40.69	43.21		2.34
UK Larger Cos Acc	F 7½	380.1	384.9	388.0		3.85
UK Larger Cos Inc	F 7½	278.5	280.5	304.2		3.85
Gilt & Fxd Int Inc	5¼	29.59	29.87	31.38		8.90
O'seas Emg Cos Acc	F 7½	282.8	287.3	280.1	-1.7	1.48
Nth American Acc	5¼	41.23	41.48	44.88	-0.1	0.81
Far East Acc	5¼	53.78	53.78	57.19	-0.3	0.14
European Acc	5¼	39.41	39.41	47.89	-0.2	1.10

State Street Unit Trust Mngmt Ltd (1400)F
20 Birchin Lane, London EC3V 9DJ

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+or -	Yield Grss
Am Exempt	[illegible]	51.100	-7.08	1.54
Gen Exempt	£150.02	153.18	-0.38	3.03
Jap Exempt	[illegible]	587.86	-8.44	0.42
Pacific Exempt	£151.31	165.01	-0.30	1.70
Cont Euro Exempt	£114.95	117.28	-0.46	2.25

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+or -	Yield Grss
Balanced Acc May 18	183.0	190.0	+0.7	3.51
Balanced Inc May 18	181.7	188.8	+0.7	3.51
Latin American Acc May 22	97.2	98.4	-2.5	1.45

Funds In Court*

	Bid Price	Offer Price	+or -	Yield Grss
Capital May 14	549.78	554.98		3.72
Gross May 14	208.95	218.03		9.97
High Yield May 14	332.48	335.10		7.70

*Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	+or -	Yield Grss
Managed Exempt	100.11	110.25	-0.28	3.33

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+or -	Yield Grss
Pensions Mngd	60.29	61.56	-0.19	2.78
Residence TII				
Ex European May 20	1276	1285		2.71
Ex Hth Amer May 20	1385	1405		1.54
Ex Pac Basin May 20	922	938		1.48
Ex Smllr Cos Inc May 20	1897	2005		4.31
Ex Smllr Cos Acc May 20	2033	2149		4.31

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+or -	Yield Grss
Asia & Australasia	£1.0038	1.1050		
Far Eastern	£2.1100	2.1460		
Intl Mngd P'Fdm (1000-1)	£1.4570	1.5510		
Mngd Pens (Acc)	£0.8317	0.9061		
North American	£2.4710	2.4940		
Smaller Companies	£1.4029	1.4548		
UK Core	£0.9953	1.0130		

Lazard Brothers & Co. Ltd

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capital Life Assc. Co Ltd - Contd.

Scottish Amicable

Sun Alliance Group - Contd.

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70065						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	5	209.8	209.8xd	220.9	-0.3	4.33
Growth (C & D)	5	309.4	309.4	324.9	-0.4	5
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	58.36	58.35	58.67	+0.02	6.06
Standard Bank Fund Mngmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	5	$-	15.78	16.76	—	4.61
Sterling Bond	3	£-	9.804	10.14	—	7.69
Sterling Cap		£-	42.30	42.30	+0.01	5.73

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3 pm)

CANADA (3 pm)

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

INDICES

NEW YORK

DOW JONES	May 20	May 19	May 18	May 17	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3523.28	3500.03	3444.39	3448.93	3523.28 (20/5)	3241.95 (20/1)	3523.28 (20/5/93)	41.22 (2/7/32)
Home Bonds	107.40	107.28	107.24	107.37	107.87 (7/5)	103.49 (11/1)	601.97 (27/4/93)	54.99 (1/10/81)
Transport	1598.97	1598.62	1580.00	1587.66	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	235.80	236.73	232.85	233.91	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3538.88 (3511.10) Low 3476.39 (3405.08) (Theoretical♣)
Day's High 3523.28 (3503.07) Low 3494.77 (3415.88) (Actual♣)

STANDARD AND POOR'S

	May 20	May 19	May 18	May 17	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	450.59	447.57	440.32	440.37	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials¶	521.75	517.92	508.85	508.64	524.99 (10/3)	496.48 (28/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	42.87	42.65	41.71	41.64	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	248.42	246.66	243.53	243.58	251.38 (10/3)	238.21 (8/1)	251.38 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	432.29	428.92	428.22	427.46	432.29 (20/5)	395.84 (8/1)	432.29 (20/5/93)	29.31 (9/12/72)
NASDAQ Composite	697.43	690.43	680.78	677.96	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	May 14	May 7	Apr 30	year ago (approx.)
Dow Industrial Div. Yield	2.97	3.04	3.04	2.79
	May 19	**May 12**	**May 5**	**year ago (approx.)**
S & P Industrial div. yield	2.49	2.52	2.62	2.61
S & P Indl. P/E ratio	26.60	26.25	26.22	29.29

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Citicorp	4,071,000	28¾	+ ½
Wal-Mart Stores	3,784,800	28⅞	+ ½
Tucson Elt	3,745,000	3½	- ⅛
Pepsico	3,245,900	37¾	+ ¾
Amer T & T	3,070,900	60	- ¼
Pacific Ents	2,896,100	22⅛	+ ¾
Natl Health	2,772,500	18⅜	—
Walt Disney	2,549,400	43¾	+ 2¼
Humana	2,524,900	10⅞	+ ⅜
Comp Assoc	2,518,700	30	+ 1¼

TRADING ACTIVITY

† Volume (Millions)	May 20	May 19	May 18
New York SE	269.857	336.450	284.165
Amex	19.817	24.735	21.706
NASDAQ	343.230	318.309	277.714
NYSE			
Issues Traded	2,521	2,535	2,532
Rises	1,143	1,194	835
Falls	772	763	1,081
Unchanged	606	578	616
New Highs	85	90	72
New Lows	16	27	34

CANADA

TORONTO	May 20	May 19	May 18	May 17	1993 HIGH	1993 LOW
Metals & Minerals	2900.64	2882.38	2865.11	2856.10	2972.25 (9/2)	2743.31 (21/1)
Composite	3831.80	3811.30	3826.90	3792.50	3831.80 (20/5)	3275.80 (21/1)
MONTREAL Portfolio	1901.12	1885.80	1892.19	1877.03	1901.12 (20/5)	1728.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

	May 21	May 20	May 19	May 18	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1685.6	1684.2	1682.6	1677.9	1710.10 (28/4)	1495.00 (13/1)
All Mining (1/1/80)	749.6	745.0	743.0	729.3	749.60 (21/5)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	332.20	(c)	332.13	332.63	357.78 (9/3)	300.26 (14/1)
Traded Index (2/1/91)	800.34	(c)	798.89	800.60	880.17 (3/3)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	(u)	(u)	1213.21	1212.40	1268.11 (7/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	303.66	(c)	303.89	301.59	305.06 (14/5)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1248.2	(c)	1217.2	1184.7	1248.20 (21/5)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	(c)	(c)	506.52	505.61	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	(c)	(c)	1836.78	1846.40	2035.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	635.79	(c)	638.78	649.33	675.70 (10/3)	590.92 (14/1)
Commerzbank (1/12/53)	1802.1	(c)	1810.6	1824.2	1906.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1610.59	(c)	1617.41	1638.48	1717.40 (11/3)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7169.96	7118.96	7083.88	7149.30	7169.96 (21/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1535.64	1528.85	1524.41	1538.21	1591.74 (16/4)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	558.45	559.17	558.49	544.19	559.17 (20/5)	446.33 (8/1)
MIB General (4/1/93)	1233.0	1236.0	1233.0	1202.0	1236.00 (20/5)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20557.47	20330.39	20380.79	20229.39	21054.71 (10/5)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1613.12	1594.33	1597.86	1589.28	1639.05 (10/5)	1250.06 (25/1)
2nd Section (4/1/68)	2279.76	2266.37	2274.09	2279.04	2307.28 (17/5)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	729.35	735.11	729.43	725.46	735.11 (20/5)	614.28 (13/1)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	328.7	(c)	326.8	329.9	333.40 (13/5)	285.70 (4/1)
CBS All Shr (End 1983)	216.0	(c)	214.8	217.0	223.50 (19/4)	186.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	806.78	(c)	808.89	814.22	827.94 (6/5)	668.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1572.10	1575.72	1574.38	1598.14	1654.39 (5/5)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	462.46	463.92	462.73	461.82	463.92 (20/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1794.0¶	(c)	1817.0	1604.0	1817.00 (19/5)	775.00 (5/1)
JSE Industrial (28/9/78)	4511.0¶	(c)	4494.0	4470.0	4645.00 (10/2)	4333.00 (19/4)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	727.89	727.37	724.78	722.61	737.59 (22/4)	605.93 (8/3)
SPAIN						
Madrid SE (30/12/85)	256.33	255.41	255.19	256.88	256.89 (18/5)	215.60 (4/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1092.7	(c)	1076.5	1063.2	1092.70 (21/5)	878.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	896.0	(c)	884.8	892.9	895.00 (21/5)	904.80 (11/1)
SBC General (1/4/87)	760.2	(c)	758.7	758.0	760.20 (21/5)	678.70 (11/1)
TAIWAN **						
Weighted Price (30/6/66)	4300.35	4348.83	4440.54	4485.39	5013.28 (7/4)	3088.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	858.37	865.61	873.52	872.96	998.44 (25/1)	828.10 (4/5)
WORLD						
M.S. Capital Intl.(1/1/70) $	562.7*	561.2	558.8	553.5	565.20 (6/5)	488.60 (13/1)
Euro Top-100 (26/6/90)	969.54	966.86	968.03	970.22	970.22 (18/5)	852.73 (13/1)

**Saturday May 15: Taiwan Weighted Price 4,585.53, Korea Comp Ex. 705.38.
¶ Subject to official recalculation.

*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

WORLD STOCK MARKETS

AMERICA

Dow eases as some investors take profits

Wall Street

A combination of profit-taking and expiry-related selling left US share prices mostly lower in light trading yesterday morning, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 13.84 lower at 3,509.44. The more broadly based Standard & Poor's 500 was 1.65 lower at 448.94, while the Amex composite was up 1.00 at 433.29, and the Nasdaq composite wasdown 1.66 at 695.77. Trading volume on the NYSE was 160m shares by 1 pm.

Following Wednesday's and Thursday's record-breaking gains – the Dow climbed 79 points over the two days – some investors chose to book some of their profits as soon as trading opened, contributing to an early 20-point decline in the Dow. The fact that a large number of analysts remained suspicious of the market's strength, believing that the buying was an over-reaction to the absence of an interest rate hike by the Federal Reserve, only hastened the rush to take some profits.

Additionally, the monthly expiry of stock and stock index futures sparked some selling. It was not long before share prices rallied from early technical selling, and by late-morning they appeared to have settled into a narrow trading range.

Stocks were prevented from moving into positive territory, however, by fresh declines in bond prices, which pushed the yield on the benchmark 30-year government bond back over 7 per cent.

Among individual stocks, AT & T received an early lift from the securities house, Alex Brown, which upgraded its rating on the stock and raised its earnings growth estimates. The recommendation helped AT & T gain $¾ to $60¾, but by early afternoon the shares had slipped back to $60, unchanged on the day. Trading volume was heavy at 1.8m shares.

Other leading stocks, under pressure from profit-taking, were also lower. They included Coca-Cola, down $⅛ at $41⅝, Pepsico, down $¾ at $37, Walt Disney, $¾ lower at $43¼, and Time Warner, down $1 at $36¼.

Storage Technology surged $1½ to $41⅛ in volume of 1m shares after the company said that it had agreed to acquire Amperif, a privately held storage system manufacturer, for $83.6m.

The news that Storage Tech also plans to start shipping its long-delayed Iceberg storage system by the fourth quarter of this year also buoyed the stock.

May Department Stores rose $¾ to $75⅛ after the retailer announced plans to invest $4.6bn during next five years in new stores.

The company also announced a 2-for-1 stock split.

Canada

TORONTO remained in firmer territory at midday with support from the gold sector and gains in oil and gas shares.

However, trading was expected to tail off later in the day ahead of the Victoria Day long weekend.

The TSE 300 index was 2.2 higher at 3,833.8 in volume of 57.8m shares. Advances led declines by 300 to 238.

The gold sector rose by 121.1 or 1.47 per cent to 8,355. Placer Dome rose C$⅝ to C$22¼, American Barrick gained C$⅝ to C$28⅝, Echo Bay rose C$⅛ to C$15¼ and Pegasus Gold added C$⅛ to C$28⅝.

SOUTH AFRICA

JOHANNESBURG gold shares eased back near the close as the bullion price hovered around $373 an ounce.

The sector index closed 23 lower at 1,794.

The overall index rose 2 to 3,986 largely on the back of firmer industrials, up 17 at 4,511.

Advisers in quandary over Hong Kong boom

Overseas investors are ignoring recent hints that it is time to get out of the market, writes Simon Davies

When new issues are hundreds of times over-subscribed, second line stocks double overnight, and the stock market shrugs off negative news with historic highs, it is generally-assumed to be time to get out of the Hong Kong stock market.

Certainly, there are enormous profits to be taken. The Hang Seng index has celebrated a major bull run since the start of 1991 and in spite of the political uncertainties of the moment, it has still achieved a 30 per cent rise this year, closing yesterday at a record high of 7,169.96.

The stock market has focused on seemingly-improved Sino-British relations, and has chosen to ignore crucial issues such as the debate over the renewal of China's Most Favoured Nation status, and the over-heating of the Chinese economy.

However, the move has not been entirely irrational. For the past three years, Hong Kong has been gradually eroding its substantial political risk discount, as investors have realised that the 1997 handover to China offers huge economic benefits, in addition to its political challenges.

The economic boom in Southern China, the fastest growing region in the world during the past decade, has been the engine for corporate earnings growth (in earnings per share terms) of 21 per cent in 1991, 22 per cent in 1992 and an anticipated 20 per cent in 1993.

This growth is eroded by the high inflation rate, which remains alarmingly close to double digits, but the corporate earnings trend remains impressive.

There have been other fringe benefits from China, with mainland money pushing up the property and stock markets, as a means of switching out of the rapidly devaluing Renminbi.

The story of Hong Kong as gateway to the Chinese economic miracle has caught the imagination of US fund managers, with a stream of fresh capital flooding in.

To US institutions, Hong Kong offers the twin advantages of its currency peg to the strengthening US dollar, and its strong regulatory framework (at least by Asian standards). In addition, when Hong Kong experiences an economic slowdown, as in 1989, it has tended to achieve growth figures that outpace the economic booms of the major economies.

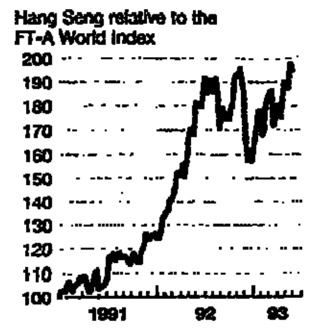
But there are a number of reasons for caution. One of the keys to Hong Kong's boom has been local liquidity. Hong Kong has experienced sizeably negative interest rates for two years, leaving locals with the option of shoring up savings in either the stock market or property market. As a result of the currency's US dollar link, interest rates are expected to push upwards soon.

The annual US debate on China's MFN will also cause some unease, as the impact on Hong Kong would be devastating, if China lost this status. Next year's renewal may hang on some conditions, but while there is little indication that it is seriously at risk, the uncertainties of the debate could have some impact on current enthusiasm for stocks.

Finally, and most important, there is the issue of China's economy. Last week's announcement of a 25 per cent increase in China's retail sales for April is the latest in a line of statistics which demonstrate unequivocally the overheating of the Chinese economy.

Hong Kong

Hang Seng relative to the FT-A World Index



Source: FT Graphite

The last time this happened, austerity measures led to a 60 per cent drop in Hong Kong's GDP growth, back in 1989. This time round the impact would be less severe, as the economy in the neighbouring Chinese province of Guangdong has reached a greater level of autonomy, but with a substantial devaluation of the RMB expected and a credit crunch already being imposed, Hong Kong will be affected.

Mr Sheldon Kasowitz, research analyst at Jardine Fleming Securities, says: "Huge increases in interest rates, the collapse of the currency and a deteriorating trade balance are not the things that bull markets are made of".

However, the index is not overvalued on a current year basis. Based on Jardine Fleming's forecasts, the Hong Kong market is trading on a price-earnings ratio of only 12.4 times 1993 earnings. By comparison, Thailand is on 13.2 and Malaysia 21.

This represents the top-end of Hong Kong's historical trading range, but that could be said to reflect the rapidly-changing attitude towards Hong Kong's future relationship with China.

Of greater concern is the fact that share prices have been rising on the basis of political interpretation, rather than on political fact.

It is widely assumed that there has been a dramatic narrowing of the political impasse over Governor Patten's controversial political proposals, yet the meetings between Britain and China have not yet succeeded in moving beyond principals.

Furthermore, it can be argued that China has a certain amount of self-interest in appearing more conciliatory, during the course of the debate over its MFN status. China has already demonstrated its ability to influence the stock market when it wants to make a political point.

Against this, there is the enthusiasm of overseas investors. Mr Richard Witts, managing director of United Mok Ying Kie Securities, says: "It is going to take a lot to stop money flooding in from the US and Europe. These investors are going to be prepared to suffer a little for the long-term attractions".

Brokers' targets of a year-end Hang Seng index of between 7,500 and 8,000 still do not seem far-fetched, on current earnings forecasts. But given the numerous uncertainties facing Hong Kong, it is hard to imagine there will not be any blood and tears before it gets there.

ASIA PACIFIC

Economic recovery hopes leave Nikkei 1.1% ahead

Tokyo

INDEX-linked purchases by investment trust companies triggered a short-covering rally in the stock index futures markets, lifting the Nikkei average by 1.1 per cent in late activity, *writes Wayne Aponte in Tokyo.*

The 225-issue average ended 227.08 higher at 20,557.47, and up 0.1 per cent on the week, after trading between 20,297.76 and 20,653.85. The Topix Index of all first section issues ended 18.79 higher at 1,613.12 and, in London, the ISE/Nikkei 50 index rose 3.69 to 1,244.25.

Volume was 400m shares, compared with Thursday's 349m. Advances led declines by 765 to 250 with 162 unchanged.

Brokers said that comments from Mr Yasushi Mieno, the Bank of Japan governor, that the nation's economy should recover in the second half of this financial year encouraged some buying. Investors, equally, continued to select issues with favourable earnings, or at the lower end of their trading range.

An analyst at a big four Japanese broker said that he expects major institutional investors to shift funds into equities after the earnings season ends in about two weeks. Until then, however, trading volume on the first section of the Tokyo Stock Exchange should remain light.

Buying from investment trusts boosted issues in the shipbuilding sector. Hitachi Zosen, the day's most active issue, gained Y26 to Y603, Mitsubishi Heavy Industries Y28 to Y734 and Sasebo Heavy Industries Y13 to Y607.

Consumer electronic issues saw buying. Pioneer Electronic rose Y130 to Y2,520, TDK by Y50 to Y3,990 and Sony by Y50 to Y4,730.

But Nihon Unisys, the importer and computer marketer, dropped Y40 at Y1,420 on reports that the nation's securities watchdog had asked prosecutors to indict two people for allegedly manipulating the company's stock.

In Osaka, the OSE average ended 213.24 higher at 22,722.58, in volume of 24.5m shares.

Roundup

With a few exceptions, Pacific Rim markets tended to move on to the downgrade.

AUSTRALIA finished the week on a strong note, supported by a strong banking sector, Wall Street's advance and a recovery in the three month futures contract.

The All Ordinaries index closed up 11.4 points at 1,695.6, little changed on the week, in turnover of A$342.36m.

The banking sector index gained 49.9 or 2.2 per cent to 2,335.8. National Australia Bank soared 27 cents to a record A$9.73 in response to interim net profits which rose to A$507.3m. Westpac, which reported a A$204.6m net loss, jumped near the close to finish 9 cents ahead at A$3.70.

On the Sydney Futures Exchange, the June Share Price Index contract rose 30 to a high of 1,703 before edging back to close at 1,694, with 1,539 contracts traded.

SEOUL gained for the fifth consecutive session but ended only fractionally firmer as selling of large-capitalisation shares offset most of the solid gains posted by small and medium-sized companies.

The composite index added 0.62 to 727.99, 3.1 per cent higher on the week.

TAIWAN was lower in thin trade which left the weighted index down 46.38 or 1.1 per cent at 4,300.25, for a weekly fall of 5.8 per cent. Turnover totalled T$23.2bn after Thursday's T$25.1bn.

Investors were discouraged by conflict within the ruling Nationalist Party ahead of its congress in August, poor April export order figures, and fears that the government would revise down its 6.6 per cent GNP growth forecast for this year. Financial shares again led the day's falls, with Cathay Life Insurance sinking T$4 to T$170.

NEW ZEALAND drifted to a lower close, due mostly to minor falls in the leading stocks, in quiet trade. The NZSE-40 capital index dipped 8.85 to 1,618.60, 2.4 per cent up on the week. Telecom shed 2 cents to $3.00 after its record high on Thursday.

SINGAPORE saw a third straight day of profit-taking which left the Straits Times Industrial index 14.54 lower at 1,861.86, little changed on the week, with activity dominated by speculative Malaysian stocks traded over the counter.

BANGKOK lost ground as disappointment over worse-than-expected earnings this week soured the mood. The SET index shed 7.24 to 858.37, 2.6 per cent lower on the week, in moderate volume.

BOMBAY moved up after a two-day closure for settlement work, the BSE index closing 47.74 higher at 2,357.71. Brokers said that the market had stabilised, and there were rumours that the BSE might even lift restrictions on short sales.

EUROPE

Bourses remain wary about Wall Street

BOURSES were chary about responding to consecutive record highs on Wall Street, *writes Our Markets Staff*, as Paris and Brussels extended their Ascension day holidays.

FRANKFURT was lifted by options-related buying in the last 10 minutes of trading, but the DAX still closed 6.82 lower at 1,610.59, down 1.5 per cent on the week, in volume up from DM5.1bn to DM5.4bn.

Schering rose DM14 to DM780.50. Mr Reinhard Fischer of Paribas Capital Markets, which has brought Germany up from slightly underweight to average as the dollar has strengthened, said that the pharmaceuticals group had moved on its 80 per cent export ratio, and the potential effect of dollar/mark relationship on its export margins.

ZURICH finished at a fourth consecutive record high although profit-taking erased most of the early gains and Wall Street's weaker opening dampened the mood. The SMI index finished 6.5 higher at 2,233.1, after a day's peak of 2,245.3. The market rose 2.1 per cent over the week.

FT-SE Actuaries Share Indices

May 21 — THE EUROPEAN SERIES

Hourly changes†	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1154.83	1155.16	1154.80	1154.49	1155.26	1155.74	1156.02	1155.78
FT-SE Eurotrack 200	1218.72	1218.66	1217.88	1216.90	1216.41	1216.16	1215.95	1215.46

	May 20	May 19	May 18	May 17	May 14
FT-SE Eurotrack 100	1156.03	1147.97	1152.98	1148.07	1148.21
FT-SE Eurotrack 200	1220.19	1212.27	1217.75	1214.06	1212.97

Base value 1000 (26/10/90) High/day: 100 - 1156.66; 200 - 1229.32 Low/day: 100 - 1153.31 200 - 1213.69 †Partial.

Nestlé and Brown Boveri were lifted by the strong dollar, rising SFr10 to SFr1,140 in the bearers, and SFr10 to SFr813 respectively.

MILAN edged lower as the market digested yesterday's supplementary budget package. Thursday's late and cautious half percentage point discount rate cut had been widely expected and investors focused on the prospects for further cuts. The Comit index eased 0.72 to 558.45 for a 3.6 per cent rise on the week.

Recent out-performers bore the brunt of profit-taking. Against the trend, Italmobiliare found favour with domestic fund managers, adding L1,500 or 3.5 per cent to fix at L44,500 before easing to L44,400 after hours.

MADRID closed virtually in balance, with banks higher and utilities mostly lower after Fecsa blamed low demand, low rainfall and the peseta devaluation for its decision not to pay a final dividend.

Fecsa fell Pta44 to Pta685 as the general index closed 0.92 higher at 256.33, up 1 per cent on the week.

AMSTERDAM saw early gains eroded after news of Wall Street's weak opening in modest trade with many investors extending the Ascension Day holiday into the weekend. The CBS Tendency index added 0.30 to 104.50, a weekly decline of 2.3 per cent. Heineken, under pressure in recent weeks, shed another 90 cents to Fl 177.90 on news of higher first quarter losses at its Spanish El Aguila affiliate.

STOCKHOLM advanced in heavy trading, mainly on foreign buying of the pharmaceutical group, Astra, and the telecommunications giant, Ericsson. The Affärsvärlden General index rose 16.2 to 1,092.7, up 1 per cent on the week. Astra A rose SKr21 to SKr751 and Ericsson B by SKr9 to SKr320 as turnover rose from SKr966m to SKr1.12bn.

HELSINKI climbed further after Wednesday's news that a threatened labour market conflict had been settled, the Hex index rising 31.06, or 2.5 per cent to 1,248.24, up 7.2 per cent on the week. Dealers said that hopes of lower interest rates and the affirmative Danish vote on Maastricht had also created optimism.

COPENHAGEN ended a politically crucial week with the Maastricht result that it expected and and the CSE index 0.23 lower at 303.66, stood 0.5 per cent down from its May 14 peak.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	THURSDAY MAY 20 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY MAY 19 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (68)	134.72	+1.3	128.36	94.10	113.01	127.91	+0.2	3.87	133.05	127.97	92.93	112.30	127.65	144.19	117.39	152.52
Austria (18)	144.03	+0.4	137.23	100.61	120.82	120.71	+0.0	1.70	143.49	138.01	100.23	121.12	120.71	150.96	131.16	168.24
Belgium (42)	147.42	+0.8	140.47	102.96	123.66	120.52	+0.0	4.70	146.32	140.73	102.19	123.50	120.52	156.76	131.19	142.27
Canada (109)	128.19	+0.5	122.14	89.53	107.52	117.70	+0.5	2.81	127.57	122.69	89.10	107.67	117.08	128.19	111.41	126.45
Denmark (33)	221.72	+0.6	211.26	154.87	185.99	186.59	+0.0	1.21	220.30	211.88	153.88	185.94	186.59	225.64	185.11	235.92
Finland (23)	97.90	+0.0	93.28	68.38	82.12	113.05	+0.0	1.09	97.90	94.16	68.38	82.63	113.05	100.43	65.50	79.36
France (98)	151.92	+0.6	144.75	106.11	127.43	129.64	+0.0	3.46	150.95	145.18	105.43	127.40	129.64	167.36	142.72	164.37
Germany (62)	110.78	+0.6	105.55	77.39	92.92	92.92	+0.0	2.27	110.09	105.89	76.91	92.92	92.92	117.10	101.59	123.56
Hong Kong (55)	289.04	+0.4	275.40	201.89	242.47	286.79	+0.4	3.25	287.78	276.79	201.01	242.91	285.53	289.45	218.82	244.43
Ireland (15)	159.67	+1.3	152.13	111.53	133.94	148.70	+0.4	3.56	157.68	151.65	110.14	133.09	148.07	170.40	129.28	161.05
Italy (73)	72.82	+0.6	69.38	50.86	61.08	79.81	+0.3	2.42	72.38	69.62	50.56	61.09	79.59	72.82	53.78	71.18
Japan (470)	142.87	−0.2	136.13	99.79	119.86	99.79	−0.2	0.84	143.17	137.70	100.00	120.86	100.00	146.85	100.75	104.93
Malaysia (69)	343.04	+1.5	326.85	239.60	287.75	339.14	+1.5	1.99	337.93	325.01	236.03	285.22	334.28	343.04	251.66	236.59
Mexico (18)	1514.71	+0.4	1443.24	1058.01	1270.82	5153.79	+0.3	1.31	1508.24	1450.60	1053.49	1273.04	5137.56	1725.81	1410.30	1615.69
Netherland (24)	164.34	+0.6	156.58	114.79	137.86	135.76	+0.0	4.07	163.30	157.06	114.06	137.84	135.76	172.75	150.39	158.13
New Zealand (13)	49.00	+1.4	46.69	34.23	41.11	48.05	+1.1	4.76	48.34	46.49	33.77	40.80	47.55	49.32	40.56	48.82
Norway (22)	159.00	+0.7	151.50	111.06	133.38	147.29	+0.0	1.79	157.90	151.87	110.29	133.28	147.29	166.21	137.71	185.06
Singapore (38)	254.29	−0.1	242.30	177.62	213.31	189.08	−0.1	1.82	254.49	244.77	177.76	214.80	189.34	254.49	207.04	216.78
South Africa (60)	200.98	+1.0	191.50	140.38	168.59	200.97	+0.0	2.51	199.02	191.42	139.01	167.98	200.97	200.98	144.72	246.32
Spain (46)	129.21	+0.4	123.11	90.25	108.39	120.74	−0.1	4.94	128.66	123.74	89.87	108.59	120.86	132.82	115.23	159.18
Sweden (36)	177.17	+0.7	168.81	123.75	148.62	191.66	+0.0	1.76	175.96	169.24	122.91	148.52	191.86	178.35	149.70	198.36
Switzerland (55)	123.14	+0.6	117.33	86.02	103.31	111.84	+0.0	1.94	122.35	117.67	85.46	103.28	111.84	123.58	108.91	105.11
United Kingdom (218)	178.10	+0.9	169.70	124.38	149.39	169.70	+0.0	4.05	176.51	169.77	123.28	148.97	169.77	191.99	162.00	197.99
USA (519)	184.19	+0.7	175.50	128.66	154.51	184.19	+0.7	2.77	182.94	175.95	127.79	154.42	182.94	186.27	175.38	168.39
Europe (765)	146.28	+0.7	138.43	101.48	121.87	131.97	+0.0	3.38	144.22	138.71	100.74	121.73	131.97	149.02	133.92	155.16
Nordic (114)	167.90	+0.6	159.97	117.27	140.84	160.22	+0.0	1.56	168.90	160.52	116.58	140.87	160.22	169.44	142.13	181.21
Pacific Basin (713)	147.06	−0.1	140.13	102.73	123.37	108.33	−0.1	1.12	147.18	141.56	102.81	124.23	106.46	150.03	105.89	111.09
Euro-Pacific (1478)	146.21	+0.2	139.32	102.12	122.65	117.33	−0.1	2.04	145.85	140.28	101.87	123.10	117.42	148.94	117.26	128.94
North America (628)	180.70	+0.7	172.17	126.23	151.60	179.66	+0.7	2.78	179.49	172.63	125.38	151.53	178.46	182.38	171.51	165.76
Europe Ex. UK (547)	125.09	+0.6	119.19	87.39	104.96	110.66	+0.0	2.91	124.31	119.56	86.85	104.95	110.64	128.65	112.51	129.79
Pacific Ex. Japan (243)	188.51	+0.8	179.62	131.69	158.15	172.32	+0.5	3.17	186.93	179.79	130.59	157.80	171.47	188.51	152.70	171.82
World Ex. US (1665)	147.00	+0.3	140.07	102.69	123.32	119.50	−0.1	2.06	146.61	141.01	102.41	123.75	119.56	149.39	118.51	131.12
World Ex. UK (1966)	156.58	+0.4	149.19	109.38	131.36	136.34	+0.3	2.15	155.99	150.03	108.96	131.86	135.98	157.19	134.22	137.49
World Ex. So. Af. (2124)	158.29	+0.4	150.82	110.57	132.79	138.92	+0.2	2.34	157.62	151.60	110.11	133.05	138.59	158.96	137.29	142.01
World Ex. Japan (1714)	168.56	+0.7	160.61	117.75	141.42	161.54	+0.4	2.90	167.38	160.98	116.92	141.30	160.86	168.56	157.47	163.94
The World Index (2184)	158.48	+0.4	151.00	110.70	132.95	139.44	+0.2	2.34	157.80	151.77	110.23	133.20	139.12	158.07	137.32	142.70

Constituent changes with effect 24/5/93: Addition: Swissair (Registered). Deletion: Swissair (Bearer). Latest prices were unavailable for this edition.
Markets closed May 20: Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, South Africa, Sweden and Switzerland.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+ or −	1993 High	1993 low	Yield (1)	Yield (2)
[illegible]						

OTHER FIXED INTEREST

Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						

Continued on next page

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covrd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or −
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or −
[illegible]							

TRADITIONAL OPTIONS

- First Dealings May 17
- Last Dealings May 28
- Last Declarations Aug. 12
- For settlement Aug. 23

For rate indications see end of London Share Service

3-month call rate indications are shown on page 11.

Calls in Bridon, Butte Mining, Cannon St. Invs., Cliff Res., Dwyer, Greycoat, Hartstone, Jardine Matheson, NSM, P & O Defd., Pilkington, Ratners and Royal Bk. of Scotland. Put in NSM. Doubles in ASDA, BET and Marshalls.

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or −	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣☐	194	—	201	183	3.0	232.0	16.3
Warrants	☐	44½	—	48	38	-	-	-
Scot Mortgage	♣☐	188	—	201	178	2.7	219.9	14.0
Scot National Inc	♣K☐	88½	−1	95½	83	10.7	-	-
Cap	☐	24	—	28	16	-	56.1	57.2
Stepped Pf		161¼	—	155¼	150¼	5.0	-	-
Zero Div Pf		208	—	212	207	-	-	-
Warrants		3½	—	5	3	-	-	-
Scot Value	†a☐	78	—	79¼	71	2.8	79.0	0.0
Sec Alliance	♣†	1435	—	1503	1390	3.2	1594.0	10.0
Second Consld	☐	127	+1	127	86	-	187.4	32.5
Second Market	♣	322	—	328	256	0.8	345.6	7.0
Sec Tst Scot	♣☐	80½xd	—	84½	74½	8.0	82.6	2.5
Select Assets	☐	121	—	130	109½	1.2	167.8	27.9
Eq Ind Serl		131	—	134	128	4.1	-	-
Eq Ind Serll		131	—	134	128	4.1	-	-
SHIRESCOT	aH	123	+1	123	104	5.4	123.4	1.1
Shires	♣	288	—	282	231	9.0	247.2	−3.6
11pc Cv Ln '03/04		£128	—	£131½	£115½	8.7	-	-
Stern Select		128	—	136	97	0.2	147.5	13.6
Warrants		38	—	38	15	-	-	-
Smaller Cos	☐	110	—	111	78	3.0	114.5	4.4
Warrants		32	—	33	14	-	-	-
Sphere Inc	☐	21	—	21½	14	18.5	32.6	37.0
Zero Div Pf		88¼	+½	88¼	80¾	-	-	-
Sumit		59	—	60	38	3.0	90.0	34.4
TR City of Lon	☐	134½	+½	140¼	126	4.4	129.7	−3.5
TR Euro Growth	♣☐	102	—	109	79	1.7	114.4	10.9
Ptg Sub		56	—	58	27	3.1	-	-
TR Far East Inc	♣†☐	131	—	139	112	4.3	134.7	2.8
Warrants		38½	—	38½	22	-	-	-
TR High Inc		115	—	118	102	6.5	113.5	−1.3
Sub		28	—	31	25	6.5	-	-
TR Pacific	♣☐	136	—	141	110	0.3	137.8	1.3
TR Prop	♣†☐	24¾	+½	24¾	17	‡	31.1	20.3
TR Smaller	♣☐	169	−½	171	146	2.7	179.3	5.7
TR Technology	♣☐	57	+1	60	47	3.6	191.5	71.0

MERCHANT BANKS

	Notes	Price	+ or −	1993 high
Barings 8pc Cm 2nd Prf		98½xd	+½	100½
9¾pc Non-Cum Prf		115¼xd	—	127½
Close Bros	G†	350	—	350
Hambros	♣☐	337	—	356
7¼pc Cv Pf		141	—	149½
Joseph (L)		358	—	362
Kleinwort Benson	☐	417	+4	417
Rea Bros	♣☐	42	—	47
Schroders	♣h	965xc	+2	987½
N/V	h	810xc	—	818
Singer & Fried	♣☐	84	−1	89
Warburg (SG)	♣☐	705	+5	705
6pc Cv Pf		237	+1	238
Wintrust		205	—	215

METALS & METAL FORMING

	Notes	Price	+ or −	1993 high
ASW	☐	215	−3	233
Apollo Metals	♣	113	—	120
Ash & Lacy	♣	156	−1	170
Billam (J)		247	+1	300
Brit Steel	K☐	88½	+1½	98½
CI	☐	25	—	28
Castings		170	+3	178
Chamber & Hill		140	—	145
Cohen (A)	♣	360	—	400
Cook (Wm)	♣☐	187	+7	187
Cooper (F)	♣☐	72	—	77
Dewoichras		78	−4	83
Ferraris	♣†G	85	−2	88
Firth (GM)	☐	12½	−½	15½
Garton		92	—	94
Glynwed Intl	☐	308	+2	311

INVESTMENT COMPANIES

MEDIA

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or −	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Glencar Exp/ I£	‡‡	12	—	12	6	2.22	-
Greenwich Res	♣☐	18	+¼	20½	5	14.6	-
Hemlo Gold C$		£8¾	−⅛	£9⅝	£3½	604.8	1.5
Ivernia West I£	‡‡☐	48	+2	57	37	24.1	-
Kenmare	♣☐	10½	−½	13½	6	10.1	-
Malinga Res		14½	—	25½	14	1.80	-
Navan Res I£	♣	41	—	41	25	5.49	-
5pc Ln Notes		41	+1	41	25	6.97	-
Oryx Gold		62⅞	—	71	47	-	-
‡‡Ovoca Res I£		3½	—	3½	3½	0.24	-
RTZ	♣N☐	637	—	709	607	6,580	4.1
Vizcaya	♣	5¾#	—	6¼	2¼	3.08	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield, p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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FINANCIAL TIMES
Weekend May 22/May 23 1993

London council reprimanded over £20.2m unlawful spending

By John Authers

THE Labour-controlled London Borough of Lambeth has incurred unlawful expenditure of £20.2m to one of its departments since 1988, according to a report *published yesterday*.

Mr Paul Claydon, the district auditor, said that when the council finally allowed "proper competition" for its highway contracts for the first time in July 1992, the winning bids were 29 per cent cheaper than those tendered by Lambeth's direct labour organisation.

The council could have saved £5m by contracting out the work properly under the competitive tendering system during the period when the unlawful payments were made, the auditor's public interest report said.

Mr Claydon is now considering whether to ask the High Court to order individuals to repay the money unlawfully spent.

Examples of apparent "deliber*ate manipulation" to the* advantage of Lambeth's own workforce prior to 1992 included the withdrawal of a successful private contractor's tender in 1988 "after receiving threats", and the successful reduction of a bid by the direct labour organisation in 1986 after a private contractor had submitted a lower tender.

More than £200,000 was paid out to the highway maintenance workers under a "profit sharing" scheme without being authorised by councillors, the report said.

Mr John Redwood, the local government minister, said the Department of the Environment would take action if compulsory competitive tendering requirements had been violated. This could involve closing Lambeth's internal organisation by forbidding it to tender for contracts.

The DoE stressed that it would wait for Lambeth's detailed response before taking action, but Mr Redwood said: "There is always a danger with authorities that don't treat financial control and discipline seriously that things will go from bad to worse."

The report also revealed that £173m was owed to Lambeth council in overdue rents, community charge, rates and other debts. The council last published its annual accounts on time eight years ago, while its financial health is "fragile" following 17 separate public interest reports from district auditors in 14 years.

Mr Andrew Foster, chief executive of the Audit Commission, which employs the district auditor, said the council had shown more vigour in the last year to improve its position but voiced concern that "a number of deadlines have been missed".

The council said it was implementing 120 recommendations by the auditor for improved practice, and all allegations of malpractice would be referred to an independent inquiry conducted by Ms Elizabeth Appleby, QC.

US health task force under fire over liability proposals

By George Graham in Washington

US PRESIDENT Bill Clinton's health care task force has come under fire from several directions over its proposal for a radical shift in the burden of responsibility for medical malpractice.

The proposal would transfer the burden of liability away from individual doctors and on to the hospitals, insurers or health plans they work with.

Doctors have long complained that the threat of malpractice lawsuits drives up their costs and forces them to prescribe unnecessary defensive medical procedures, but the move to "enterprise liability" proposed by the White House task force, chaired by the president's wife, Hillary Rodham Clinton, has failed to satisfy them.

Insurance companies complained that the shift would not address the underlying problems of escalating jury awards of damages for medical malpractice, and might make the situation worse.

"It just shifts the liability," said Mr Tom O'Day, associate vice-president for government affairs at the Alliance of American Insurers, a grouping of insurance companies. Consumer advocates are critical of the enterprise liability proposal, fearing it may mean inadequate discipline is applied to incompetent doctors.

The shift to enterprise liability rests on the assumption that most people will, after the Clinton reforms, be covered by a health plan grouping particular doctors and hospitals who have agreed to a certain scale of fees, instead of by a general insurance policy that allows them to visit any doctor. A patient would then sue the health plan, rather than the individual doctor.

Hillary Clinton: her task force's proposal has attracted criticism

Doctors in the US are estimated to pay about $7bn (£4.5bn) a year in liability premiums to cover themselves against the cost of malpractice lawsuits. In addition, some studies have estimated that $20bn to $30bn a year of unnecessary medical tests and procedures are prescribed by doctors to guard against any accusation of negligence.

Other analysts, however, say that many of these tests would be performed anyway, and that the threat of malpractice suits may have led to better medical care.

Critics of the current system say the most severe costs may be invisible: many newly-qualified doctors steer clear of specialities such as anaesthesiology and obstetrics because of the prevalence of lawsuits and the higher liability insurance rates. Many communities have to travel far afield to obtain care as a result.

Whether the impact of liability suits is exaggerated, public perception is that they are a big factor in rising health care costs.

Threat of violence as Cambodia goes to the polls

By Victor Mallet in Phnom Penh

ON FOOT, by bicycle, motorcycle or boat, Cambodians go to the polls tomorrow to elect a new government, in what will be the culmination of a troubled $2bn (£1.34bn) United Nations operation to bring peace and democracy to a country that has known neither for more than two decades.

After years of dictatorship and communism, the 4.8m voters registered by the UN Transitional Authority in Cambodia (Untac) are unfamiliar with the way democracy works and have only recently learnt from UN officials about the secret ballot.

Khmer Rouge guerrillas have reneged on the 1991 peace agreement which brought Untac to Cambodia and are still waging war against the government in Phnom Penh.

They have threatened to disrupt the election by killing Cambodians who cast their votes, while government soldiers have threatened to kill those who fail to vote for the government.

Some voters will have to travel 20km to reach a polling station; others in Khmer Rouge areas will not be able to vote at all.

When they reach the polling stations – reduced from 2,200 to 1,500 or less because of the danger of Khmer Rouge attack – Cambodians will have their index fingers dipped in invisible fluorescent ink. It can be detected under ultra-violet light so nobody votes twice.

Voting continues until next Friday. If all goes well, Cambodians will elect a 120-member constituent assembly. It will draft a new constitution within three months and become a legislative assembly, which will form the new government. Once this stage is reached Untac can supposedly leave the country.

The favourites in the election are the Cambodian People's party, which is the communist party of the existing Phnom Penh administration, and Funcinpec, the royalist party.

At the polling stations around the country will be hundreds of international polling station officers and dozens of observers, protected by flak jackets, helmets and armed UN troops.

Veteran journalists of the Indochina wars have gathered in Phnom Penh to watch the event, recall old times and smoke marijuana. The herb is available in local vegetable markets as a flavouring for soup.

Clinton doubts over Bosnia safe havens

Continued from Page 1

ter, is due here for consultations this weekend.

Mr Clinton was not entirely dismissive of the prospects of an international agreement. Stressing that the US goals were to contain the fighting and stop the killing, he said that "ultimately there will have to be some reasonable borders and some political solutions which have a reasonable territorial component". In such circumstances, he implied, US ground forces could be deployed in a peacekeeping capacity.

The White House had said on Thursday that its main problem with "safe havens" was that they appeared to reward the territorial gains achieved by the Serbian policies of "ethnic cleansing," also practised by Croatia against Moslems in Bosnia.

However, the New York Times yesterday quoted senior officials as saying that Mr Christopher had come round to the view that it was impossible to roll back all Serb gains and was prepared to accept the safe haven notion if it was "a temporary measure and not the endorsement of any concept of partition".

Treasury

Continued from Page 1

rejected any budget reductions.

Instead they have submitted additional bids which one senior Whitehall official said ran into "many billions". The treasury has set aside a £7bn contingency reserve for unforeseen expenditure in 1994/95 but only half can be allocated during the summer.

Irish meeting with Queen

Continued from Page 1

torial claim on the north. Also faring well was Sinn Fein, the political wing of the IRA which is excluded from talks by both Irish and British governments for its support of violence.

The territorial dispute over Northern Ireland remains the unofficial reason why diplomats in London and Dublin continue to advise their respective heads of state against a formal meeting.

But there are, perhaps, personal memories too; the Queen's cousin Lord Mountbatten was murdered by the IRA in the Irish Republic in 1979. In Dublin, memories abound of British oppression before the Irish free state was created.

THE LEX COLUMN

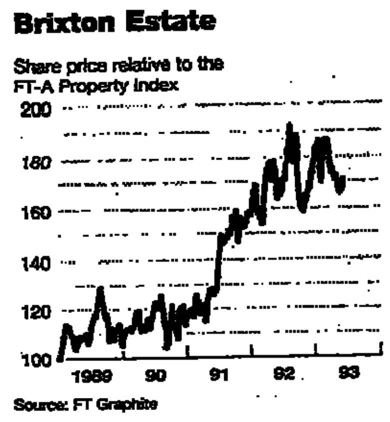
Deflated expectations

Cynics will have quickly rumbled yesterday's inflation data. Strip out the poll tax and mortgage interest effect and the underlying rate of inflation appears back on a gently rising trend. Insofar as this means companies have some room for manoeuvre on pricing, this need not be bad for the equity market. Especially so, since the fall in unit labour costs adds to the striking competitive advantage UK companies enjoy compared with their German counterparts. The low headline rate of inflation will also dampen wage demands for some time.

Despite this week's blip in output figures, these factors should be beneficial for earnings in the manufacturing sector. That may help explain the 23 point rise in the FT-SE Mid 250 index this week while the large FT-SE 100 fell 35 points. But the market has also discounted earnings growth and worries have emerged in other areas. Rights issues are flowing again, the brewers are fighting for market share, brand values are under threat in the food industry, and low wage increases will not do much to boost retail spending.

To compensate for its lack of overall direction, the equity market is still inclined to look for movement in individual sectors. Property shares are the height of fashion. The enthusiasm has spread to banks who can expect falling provisions if property values rise, and even to companies such as Forte and Ladbroke which have considerable property interests. The market could have sensed an accelerating recovery, but it has been running ahead of the underlying market for much of this year. The latest excitement may be simply a case of boredom causing it to suspend its disbelief.

FT-SE Index: 2812.2 (-4.6)



Source: FT Graphite

Brixton Estate

Yesterday's issue from Brixton Estate is a measure of how, after years of horrendous underperformance, speculative froth is returning to the quoted property market. Shares in the leading companies are above net asset values with investors developing a voracious appetite for new paper. Before yesterday's issue Brixton Estate's shares were trading at a premium of 7 per cent to stated net assets. The deeply-discounted two-for-five rights issue will dilute future net asset values, but the company was rewarded by a 6 per cent rise in its share price. Such a response is only likely to stimulate a string of similar fund-raising exercises. Shareholders should doubt the wisdom of de-gearing at this stage of the cycle. But in Brixton's case its well-regarded management intends to sink the full £101m proceeds into property.

It is gambling that shareholders will be prepared to forgo some of the potential increase in net asset value in return for better prospects for income growth. With gearing of 114 per cent, the company had little flexibility to borrow more itself. Brixton promises to gear up again from its broader equity base if the opportunities emerge. If not, it will certainly be hugely embarrassed.

The more money is sunk into property, the more certain the recovery in values becomes. But if investors really do believe the market has turned, there is now far better value in buying property direct.

UK brewing

The Monopolies and Mergers Commission's intervention in the brewing industry may turn out not to have been quite so counter-productive after all. There are a number of factors behind the outbreak of hostilities in brewing. Recession and an ageing population have reduced demand for beer. Courage appears to have lost its touch after the acquisition of Grand Metropolitan's brands. But the most significant factor is a shift in the balance of power towards the retail end of the beer industry. The obligation on brewers to free pubs from the tie has facilitated the development of independent pub chains with the clout to demand large discounts from their suppliers.

Consumers may not have felt much benefit yet, though they will surely demand lower prices as time goes by. For now, the benefits accrue to companies such as Boddington, which has left brewing already, First Leisure which was never in it and JD Wetherspoon, one of the nimbler new multiples whose shares have risen by 80 per cent since last October's flotation. The safe haven of pub retailing also offers diversification into food which enhances gearing to economic recovery.

As for the large brewers, the assumption is that the confrontation will continue until one blinks and cuts capacity. But the problem is also one of excessive proliferation of brands and cannot be dealt with simply by closing down plant. That adds to the risks facing the big brewers. The real damage will occur when discounting spreads to brands that at present command a premium. Once that happens, lost ground may never be recovered.

Gold

There is nothing like a little speculative fever to seduce the punters. Gold touched $384 an ounce in New York this week before nerves and profit-taking set in. Since bullion has rallied from $325 an ounce in barely seven weeks some kind of setback was inevitable, but it seems premature to conclude that all the excitement is over.

Certainly the price has been driven by futures and options trading. As Sir James Goldsmith has unloaded stakes in Newmont Mining he has had plenty of cash to plough back into options. Once the ball was rolling Sir James may have been able to take profits and withdraw some money from the market. He could then rely on options market makers rushing to cover their exposure, gold producers keen to unwind forward sales and mechanical computer buying programmes to keep things on the boil.

Such speculative bubbles tend to burst rather nastily. Yet at least part of the recent rise may reflect the undervaluation of gold earlier in the year. Consumption – most notably in the far east – was almost twice world mined production last year. Only substantial sales from central banks kept the price depressed. They have mostly stepped back from the market in the recent rally, just as far eastern buyers have held back while the market is volatile. But unless large official sales resume, gold will probably hold above $350 an ounce.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Badenwerk	362.1	+	7.1
Herlitz	297	+	12
Holzmann Ph	977	+	12
Falls			
Asko	633	–	33
DLW	451	–	9
Preussag	344.5	–	7
New York ($)			
Rises			
Amer T & T	60⅝	+	¼
May Dep Stores	75⅛	+	¾
Storage Tech	41⅛	+	1½
Falls			
Pepsico	37	–	¼
Time Warner	36¼	–	1
Walt Disney	43¼	–	⅛
New York prices at 12.30pm			
Paris (FFrs)			
Tokyo (Yen)			
Rises			
Ihara Chemical	765	+	70
Nippon Yarin	590	+	46
NOK Corp	870	+	45
Subaru Enterpr	1290	+	200
Falls			
Hitachi Maxell	1800	–	60
Ono Pharm	5860	–	230
Paris closed.			
London (Pence)			
Rises			
Albion	131	+	21
Asda Property	78	+	7
Blackland Oil	10	+	4½
Burford	71	+	9
Cannon St Invs	29¾	+	3¼
Debenham Tewson	84	+	5
Dencora	125	+	17
Frost Group	218	+	18
Gaskell	131	+	16
Hemingway Props	27	+	5
Hewitt	210	+	12
Molynx	22	+	3½
Saatchi & Saatchi	182	+	15
Trafford Park	70	+	7
UK Land	28	+	6
WPP Group	82	+	6
Wates City of Lon	84	+	6
Falls			
French Connection	57½	–	3½
Hay (Norman)	38	–	3
Linx Printing	118	–	6
London Intl	178	–	7
Monarch Res	144	–	9
Simon Eng	51	–	5
Sindall (Wm)	65	–	25

World Weather

UK Today: Dry with sunny spells after early mist in the south, the Midlands and many eastern regions from East Anglia to north-east Scotland. Some sunny intervals between showers in the west. Elsewhere mostly cloudy with showery outbreaks.

		°C	°F
Ajaccio	S	21	70
Algiers	S	20	68
Amsterdam	C	13	55
Athens	F	25	77
Bahrain	S	33	91
Barcelona	F	18	64
Beijing	S	29	84
Belfast	F	12	54
Belgrade	F	28	82
Berlin	F	26	79
Bermuda	F	24	75
Birmingham	C	12	54
Blackpool	C	10	50
Bombay	S	33	91
Bordeaux	C	17	63
Boulogne	S	14	57
Bristol	S	14	57
Brussels	C	14	57
Budapest	F	27	81
Buenos Aires		–	–
Cairo	F	25	77
Cape Town	C	18	64
Cardiff	S	15	59
Chicago †	S	9	48
Cologne	F	15	59
Copenhagen	S	24	75
Corfu	S	24	76
Dallas †	R	18	64
Dublin	S	16	61
Dubrovnik	S	24	75
Edinburgh	C	10	50
Faro	S	22	72
Florence	F	21	70
Frankfurt	R	14	57
Geneva	C	13	55
Gibraltar	S	19	66
Glasgow	C	11	52
Guernsey	S	13	55
Helsinki	S	15	59
Hong Kong		–	–
Innsbruck	F	16	61
Inverness	Dr	10	50
Isle of Man	C	11	52
Istanbul	F	18	64
Jersey	S	16	61
Johannesburg	S	22	72
Las Palmas	C	21	70
Leeds	C	11	52
Lisbon	S	20	68
Locarno	R	11	52
London	C	14	57
Los Angeles †	F	14	57
Luxembourg	C	9	48
Madeira	C	17	63
Madrid	S	19	66
Majorca	F	22	72
Malaga	S	20	68
Malta	S	26	79
Manchester	C	10	50
Melbourne	C	14	57
Mexico City		–	–
Miami †	S	23	73
Milan	F	17	63
Montreal †	C	9	48
Moscow	S	12	54
Munich	R	12	54
Nairobi	F	23	73
Naples	S	24	75
Nassau		–	–
Newcastle	C	11	52
New Delhi	S	36	97
New York †	S	12	54
Nice	S	20	68
Nicosia	S	23	73
Oporto	F	16	61
Oslo	R	22	72
Paris	S	16	61
Perth	F	17	63
Prague	T	25	77
Reykjavik	C	9	48
Rhodes	S	23	73
Rio de Janeiro		–	–
Rome	S	22	72
Salzburg	C	16	61
S'Francisco †	C	14	57
Seoul	R	20	68
Singapore	F	31	88
Stockholm	S	27	81
Strasbourg	C	12	54
Sydney	S	20	68
Tangier	S	23	73
Tel Aviv	S	26	79
Tenerife	C	19	66
Tokyo	S	21	70
Toronto †	F	8	46
Tunis	S	24	75
Valencia	F	21	70
Vancouver †	C	13	55
Venice	F	24	75
Vienna	S	26	79
Warsaw	F	24	75
Washington †	S	12	54
Wellington	F	13	55
Zurich	R	8	46

Temperatures at midday yesterday † Noon GMT temperatures C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

Registered at the post office. Printed by St. Clements Press for and published by The Financial Times Ltd., Number One Southwark Bridge, London SE1 9HL.

Weekend FT

SECTION II

Weekend May 22/May 23 1993

A very polite middle-class mutiny at sea

DAWN HAD yet to break. The yacht's skipper and off-watch crew were still sleeping as a slight hunched figure sent a coded radio message via satellite back to the market town of Petersfield in southern England. Recipient Chay Blyth knew from the pre-arranged sequence of words that he had a polite, middle-class mutiny on his hands.

Aboard Commercial Union, one of 10 identical 67ft yachts taking part in Blyth's brainchild, the British Steel Challenge round the world race were 14 individuals. The skipper Will Sutherland was an experienced racing sailor employed by Blyth's company to take the boat safely round the 28,000 mile course.

However, the crew had paid nearly £15,000 each to be part of this extraordinary adventure. They had trained and dreamt of the Challenge for nearly two years. And they were not happy. This articulate, dedicated group with shore jobs ranging from company director to steelworker felt that Will Sutherland was the primary reason why their yacht was trailing over a week behind the race leaders.

Blyth had received a deputation from Commercial Union and been told of the crew misgivings just a few days before the race sailed from Southampton last September. The feisty former paratrooper told them to shape up and shut up – adding that he would listen to a further well-grounded complaint if the situation deteriorated on Leg One.

As the yacht, identical in speed and potential to its rivals, slipped further behind en route to the Rio de Janeiro stopover it was clear that lack of team-work and morale was the problem. Sutherland left his command in Rio after a brief interview with Blyth. "We're all under performance review in this project and he didn't perform," explained Blyth simply.

After a race lasting nearly eight months, including stopovers, the fleet is only hours away from the finish in Southampton. Will the fastest boat win? This is not a valid question since the hulls and equipment are identical. No one involved is in any doubt that team-work and the management of human assets has made the difference between first and last in this unique event.

"Human resources have been the most important factor so far in the results," commented Richard Tudor, skipper of British Steel II, before leaving Cape Town on the final leg. "You have to manage the characters involved on your boat. Fair but diplomatic is my aim."

"There's a clear linkage between the man-management aboard and how they do in the race," agreed Blyth. "I could tell you which are the best-managed boats in this fleet, we monitor that kind of thing very closely." Yet this is motivation and team-building of a very unusual kind. Not only did the crew-volunteers begin as virtual amateurs in a hostile and potentially dangerous environment; they were the valued clients, the skippers/managers the hired hands.

*What does it take to make one of an identical number of boats go faster? **Keith Wheatley** has been talking to some of the participants in the round the world yacht race as it nears the finish*

Their labour and efforts could not be directed as in the Services or business life, with the ultimate sanction of military discipline or dismissal. John Chittenden, skipper of Nuclear Electric and overall race leader since Rio, is at 52 the oldest man to command one of the yachts and is a master mariner by profession.

"When this crew walk off the boat they have to feel happy. When the crew walk off a merchant ship you don't give a damn what they think as long as the ship's clean," commented Chittenden. He has revelled in the company at sea of his intellectual peers – and superiors. "There are people aboard this yacht far cleverer than me. I'd venture to suggest that there's more brain power aboard Nuclear Electric than in the entire British merchant navy," he added.

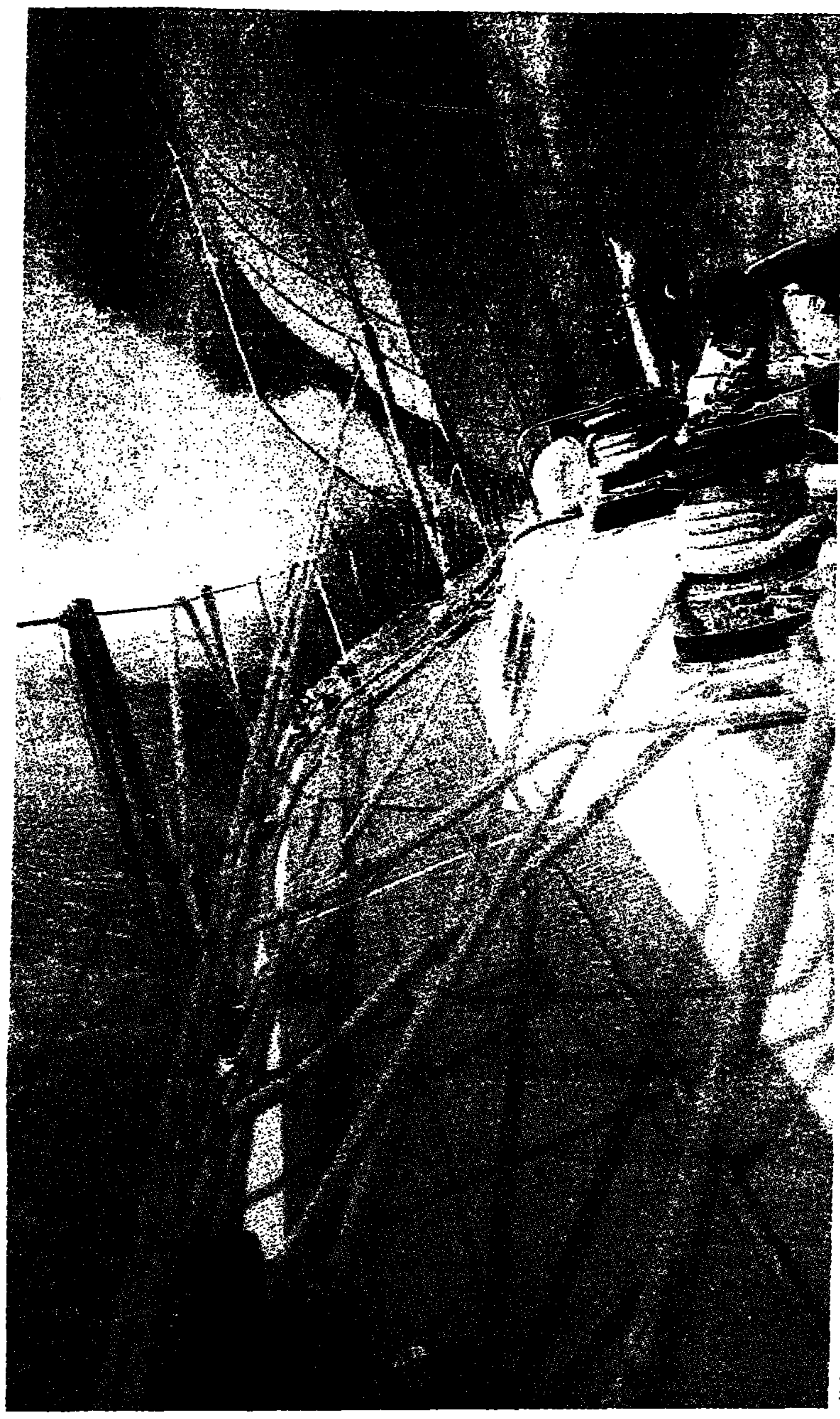
Almost every convention concerning the command structure at sea and in races has been stood on its head in the British Steel challenge. The skippers had no say in choosing their crews. Furthermore they had virtually no possibility of disposing of people they did not take to.

Blyth's small management team were careful to balance the 13-strong crews internally by age, sex and even region. However, the crews were allocated to skippers by ballot. "They all grumbled about the people they'd been given initially," said Blyth. "They had to mould complete strangers into a team and they had no authority to throw anyone off except in the absolute direst circumstances relating to safety."

Vivien Cherry, the only woman skipper, is fond of saying that the bedrock problem with many of the crew-volunteers is that "they have been handed the Dream on a Plate". It is a harsh judgment, given that many of the CVs have struggled desperately to raise the cash to take part. Those that are affluent have often taken a risky year away from highly-competitive careers or businesses that need tending.

Yet there is a contrast between the crews who are, ultimately, "escapists" and the nuts-and-bolts practicalities of the skippers. All of the latter had proven abilities in ocean racing, a seamanship qualification sufficient to satisfy the Department of Trade, and what Blyth describes as "the most important point, leadership". The degree to which the latter has been effectively deployed has been the story of the race.

Given that coercion has been the only management tool absent from this nautical situation, it is fascinating to observe that the three leading skippers all come from a military or near-Services background. However, their style owes more to the studied informality of the Royal Marines or the SAS than the eyes-front regime of the Guards, for instance.



A life on the ocean wave – but not every ship is a happy one

Mike Golding is a watch commander in the Berkshire fire service and for the past year, skipper of Group 4. His boat was comfortable winner of the Southern Ocean leg from Hobart to Cape Town. As the winds built to 70mph and the waves reached the size of large houses, the Group 4 crew seemed to revel in the conditions, increasing their lead over the fleet day by day. After three legs they were lying second and comfortable.

Golding's crew – all-male and the only such group in the fleet – have the reputation of being highly disciplined. If so, it can hardly be on the model of the Fire Service, as Golding freely concedes. "In my shore job you have a marvellous thing called the Discipline Code which gives you much more leverage than you have in the Challenge," he said.

"The Fire Service tells someone how to do something without query. Here, especially in the early days, I always had to field the return question 'Why?' Sometimes it's appropriate and sometimes it isn't. Whenever a fire unit goes operational it's inappropriate to ask questions. You haven't got time to brief everyone on every aspect.

"On board I've tried to make people realise the the difference between those types of situation. Early on there was a point when it did seem that everything you did had to be fully briefed. That stage seemed to take a long time to get past and it was an important milestone.

"For instance, when we're sailing in what we term 'Protective Mode' in bad weather and you need to tack the yacht with 55 knots of wind across the foredeck you don't need someone deciding on a whim to do something a different way.

"In less stressed circumstances we might well discuss the manoeuvre and whether there are improvements we can make. The crew can question the menu but not the watch system, if that makes sense." Of course, it takes a strong and confident leader to be able to erect sensible and acceptable boundaries dividing different areas of team life.

Pete Goss is the commander of Hofbrau Lager. A former Royal Marine and single-handed racing sailor, Goss has worked for the Challenge since its inception, running the early training weekends which turned the crew volunteers from eager landlubbers clutching a cheque to trainee seamen acceptable to his other skippers.

He became a considerable father-figure to the 130 CVs and there was significant envy among the 90 per cent who were not balloted to his yacht. Goss exemplifies the belief central to the Corps that every individual can find enormous strength through their role in a team. He was a crucial player in determining the Challenge ethos.

"In the beginning the skipper's word was Law because he was the only one who knew what was going on," said Goss, as his crew stowed food for the five-week voyage from

Continued on Page VIII

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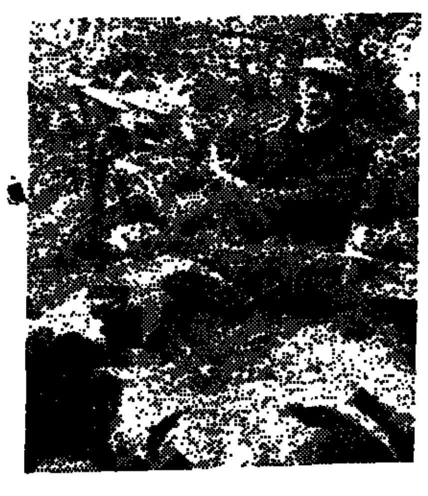


The Long View/**Barry Riley**

Greenback blues

SO FAR this year the score for conventional wisdom in the foreign exchange market appears to be one hit, two misses.

The safe bets for 1993 were that the dollar and the yen would go up and the D-mark would drop. Sure enough, the yen has duly done its stuff, rising 12 per cent on the basis of its trade-weighted index so far this year (and by 25 per cent since its low point last August). But there are some very stale bulls around of the dollar (down 3 per cent since the end of December) and some very unsatisfied bears of the D-Mark (down 1 per cent).

It is a reminder, perhaps, that when currencies are floating freely the foreign exchange market is likely to come up with some reasonably sensible answers, and will certainly not make life easy for forecasters or corporate treasurers. How different is the rigged situation in the European Monetary System, which last week endured its latest little upset (although the EC continues to assure us that the ERM would work wonderfully if only the politicians behaved sensibly).

It is interesting to remember that a year ago, before the first Danish referendum on the Maastricht Treaty, the Spanish peseta was bursting through the top of its ERM fluctuation band because it was a higher-yielding D-Mark (no risk, extra return). Since then it has been devalued three times (and has even depreciated against sterling).

Of course, foreign currency traders who base their decisions on patterns in the five-minute charts cannot be expected to come up with sensible long-term parities. But the standard views on the dollar and the D-Mark have been based on perfectly reasonable economic projections: that a US recovery would in due course lead to a tightening of monetary policy and a rise in bond yields, while on the other hand the slide into German economic decline would trigger sharp cuts in interest rates and a perceived need for a significantly lower exchange rate in order to permit an economic revival not only in Germany but right across Continental Europe.

These views have not yet been proven wrong, but they are getting dog-eared. The American recovery, for instance, has been disappointing. It is normal enough for the pace of a cyclical recovery to slacken after an early spurt, but the 1.8 per cent GDP growth in the first quarter was unimpressive.

And although the long bond yield has duly risen – it topped 7 per cent briefly this week – the US Treasury is so dependent on a steep yield curve to persuade the banking system to finance its fiscal deficit that short-term rates seem likely to stay low for some time. So holders of dollars will continue to suffer an income disadvantage.

As for Germany, the Bundesbank continues to fight a dogged rearguard action, worried about 4.3 per cent inflation and overshooting monetary growth. It passed up this week's chance to cut its official interest rates further.

The Danish "yes" vote was thought likely to erode some of the german currency's safe haven appeal, but in the event the movements have been modest. If the D-Mark is indeed poised on the edge of a cliff it is certainly not suffering from vertigo.

But from a global perspective the economic weakness of Europe and the overvaluation of several of its currencies are what stand out at present: The European Commission is now forecasting negative economic growth for the Community as a whole in 1993.

Nevertheless, huge trade deficits are looming, of 2 to 3 per cent of GDP for Germany and the UK (and perhaps 1½ per cent for the EC as a whole). A major source of this imbalance is Japan, which is running a *surplus* of about 3 per cent of GDP; the appreciation of the yen is a logical consequence. But the growing competitiveness of developing countries around the world – especially China – also seems to be an important factor.

The pattern of mature economies suffering a destabilising degree of import penetration is also, after all, seen in the US, where the trade deficit jumped to $10.2bn in March, giving another jolt to the dollar bulls.

Europe is notably reluctant, however, to live without cheap imports: they may destroy jobs but they also hold down the cost of living. The Bundesbank has a duty to put the purchasing power of the D-Mark before other economic priorities, and in the UK similar concerns clearly emerged in this week's quarterly *Inflation Report* from the Bank of England.

The 6 per cent rally in the sterling exchange rate since February, said the Bank, has improved the chances that the government's 4 per cent inflation ceiling will not be breached next year, but any decline in the value of the pound from here would put the target in peril.

In the end, however, attempts to hold national living standards at levels which are not being earned are bound to end in failure. If it tries, Europe will be overwhelmed by a twin deficit problem, with both budget gaps and trade gaps.

But at what point will this come to dominate the foreign exchange markets? In the short run, as we saw with the peseta last year, the markets barely look beyond interest rates. But in other circumstances, and quite suddenly, they might look at economic credibility instead. The deficits would have to be cured, not just financed.

For the moment, however, the currency with perhaps the worst twin deficit problem of the lot, sterling, has actually been edging up. Yet it is possible to detect early signs of crisis in the surprising strength of those traditional safe havens, gold and the Swiss franc. And German bond yields have been rising, which could be an indication that foreign investors are getting restless.

If you switched out of D-Marks into dollars at the end of last year at a rate of 1.62 you have yet to show a profit. But hold on a bit longer, the markets may see it your way soon.

MARKETS

London

Exclusive: the last episode of Cheers

By Peter Martin, financial editor

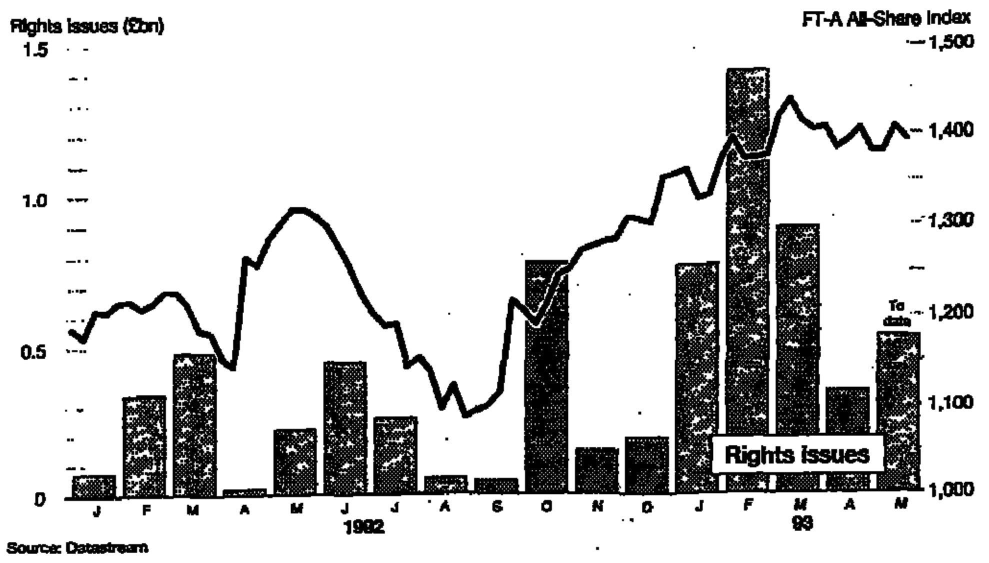
MUSIC: Wouldn't you like to get away, where everybody knows your na-a-ame, where you're always glad you ca-a-ame . . .
[Norman enters, jauntily]
All: Norm!
Norman: No beer today, Woody, gimme a bottle of cheap champagne.
Cliff: Celebrating, huh, Norm?
Norman: You know like in those movie car chases where the bad guy is right on the tail of the good guy? Then the good guy yanks the wheel and the bad guy goes straight on, over the edge of the canyon, splat, boom, kerpow!
Woody: You been taking driving lessons again, Mr Lamont?
Norman: The office, Woody! This Portillo guy, supposed to work for me but all the time his fan-club is trying to push me out and him in.
Cliff: Some kind of Spanish hotshot, huh? You know, your second generation immigrants, they got a success drive . . .
Norman (interrupts): No successful driving for him. Crashed and burned, total write-off.
Frasier: Norman, I'm very concerned by this display of *Schadenfreude*.
Woody: Bless you!
Frasier: It's not healthy taking malicious pleasure when misfortune strikes out of the blue.
Norman: Whaddaya mean, out of the blue? You think there wasn't some planning here?
Carla: Great, a stab in the back, I love it. What did you do, Normie, boobytrap his desk? Bug his bedroom? Itching powder in his shorts?
Norman: Nothing so crude, Carla. I gave him the chance to make his name by tackling the issue of the decade.
Woody: What issue's that, Mr Lamont?
Norman: You know this government deficit crisis thing me and the boss stumbled into?
Carla: Yeah, yeah, you bored us with that already.
Norman: Well, I said to this Portillo kid, I'll raise the taxes, you cut the spending, fair's fair, right? Radical thinking, blank sheet of paper, that kinda stuff.
Frasier (awestruck): You told him to be brave?
Norman: You got it.
Cliff: So then what happened?
Norman: What always happens, Cliffie: someone found out.
Carla: His wife, right? You *did* bug the bedroom!
Norman: Worse: the gila monsters got him.
Woody: Slimy, creepy things with a vicious temper that live in a sewer?
Norman: That's it, Woody: journalists.
All (revolted): Eeurrghh!
Cliff: Poor guy. Guess there wasn't much left when they'd finished with him?
Norman: Not enough to pay prescription charges, Cliff.

* * *

Rebecca: Forget it, Sam. I'm not that desperate.
Sam: Still hung up on that Robin guy, the English banker, huh? What's he got that I haven't?
Rebecca: A way with words, Sam. You think metonomy is a gang-bang with the opera.
Sam: Oh yeah? If he's so good, gimme a f'rinstance.
Rebecca: Here are the last words he sent.
Sam: He writes you letters?
Rebecca: Kind of a quarterly bulletin. *(Reads)*
"On balance, the changes since the last inflation report have lowered slightly both the expected inflation rate and the probability of breaching the 4 per cent limit during the course of the year." Stylish, huh?
Sam: Gimme that. This guy can't make up his mind about anything. How about this: "The impact next year of the Budget measures, together with the uncertainties surrounding the rate at which the output gap is likely to narrow, suggest that the probability of breaching the target next year may be a little greater than previously envisaged, but the Bank's central expectation still is that the target will be met."
Rebecca: I call it a very balanced judgment.
Sam: Sure, sure. But this economist I met at the races said the Brits will have a nasty shock when they realise your pal Robin's hinting there's a chance underlying inflation could be getting on for 5 per cent next year. Maybe that's why he wants the crummy pound a bit stronger.
Rebecca: He's scribbled a personal message at the end: April RPI: 1.3 per cent. Sweet!
Sam: You want numbers? How's this for a number: 9½ per cent. That's what my economist buddy says long gilts will be yielding next year, compared with 8½ now. Put that in your market valuations.
Rebecca: Sam, I preferred it when you stuck to baseball.

* * *

Cliff: Remember those Saatchi guys, the two brothers, used to come in here all the time trying to buy up the pictures?
Carla: Yeah, one time they paid $500,000 in stock for Woody's dishcloth
Cliff: Well, I ran into one of them today, said he was back for a fund-raiser.
[Phone rings]
Woody (answering). Hey, Mr Saatchi! Yes, I've still got the stock, is it worth anything? Only one-thirtieth of what it was in 1987? Gee, that's too bad. And now you want me to pay *you* some money? Ten for every 27? What kind of a deal d'you call that? A rights issue? Hey, I'm not *that* dumb.
Frasier: Very sensible, Woody.
Woody: Me and the guys at the Scottish Providential, we're kinda short at the moment. Blew our wads last year on a few of those sure-thing rights issues. Now we've got to stump up for the phone company *and* help ol' Norm out of a hole.
Norman: That reminds me, Woody – put another £3bn on the slate. I'll pay you back next century. Can I use the phone?
Woody: Why not? You and the rights issue guys are already into me for all my spare cash.
Norman (on phone): Hey Ken, have you thought about turning the police force over to Group 4? Great! [Hangs up.]
Woody: More champagne?
Norman: Make it a jeroboam. You ever have days when everything seems to go right?



Source: Datastream

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	2812.2	-34.8	2957.3	2737.6	Rights issue flow speeds up
FT-SE Mid 250 Index	3165.1	+22.8	3165.1	2876.3	Focus on recovery stocks
BAT Industries	837	-31	1014	822	Cautious annual statement
Barclays	457	+22	470	362	Broker upgrades
Bass	464	-61	647	453	Poor results
Brent Chemicals	102	-28	165	99	Caution at AGM
Cadbury Schweppes	414	-42	511	413	Rights issue fears
Commercial Union	560	-26	641	556	First-quarter results disappoint
Land Securities	574	+29	576	435	Strong property sector
Linx Printing	118	-57	220	115	Profits warning/director resigns
Securiguard	292	+107	292	164	Rentokil bid
Tiphook	311	+65	382	173	US buying
Unilever	999	-65	1249	989	Price war/brand fears
Warburg (SG)	705	+32	705	529	Credit Lyonnaise Laing upgrade
Wellcome	772	+33	993	658	UK product approval

Serious Money

Used endowments: handle with care

By Philip Coggan, personal finance editor

ENDOWMENT policies are not my favourite type of investment, as regular readers will realise. They are not a bad product – just a product which best suits a limited number of people but which, over the past decade, has been mass marketed.

Most commentators have welcomed the growth of the second-hand endowment market. It addresses one of the fundamental problems with endowment policies – inflexibility. Twenty-five years is a long time to wait for your number to come up – as Manchester United supporters can attest.

During that quarter of a century, you are dependent on the investment performance of one management group – you cannot transfer the funds to a better-performing insurance company.

Until the emergence of the second-hand market, the options for disillusioned policyholders were limited. They could make the policy paid up, which prevented them from sending good money after bad, but locked up their cash. Or they could surrender the policy and take their chance on the surrender value. This value tended to be limited because of the insurance companies' desire to recoup the costs of selling the policy (including the commission paid to the salesman or adviser).

Now policyholders can auction their policies, or sell them to a market-maker, and hope to receive more than the insurance company is willing to pay. As well as giving investors a choice the second-hand market is thus creating competition – something which, even in these post-Thatcherite days, is generally perceived as a good thing.

Furthermore, the evidence of surveys such as that recently conducted by *Money Marketing* indicates that surrender values have been improving. This could be owing to the competition from the second-hand market, or it could be a response to media criticism of low payouts. Whatever the reason, it is good news.

The second-hand market seems, then, to have benefited policyholders who sell. But Standard Life this week raised the question of whether investors who *buy* the second hand policies are getting a good deal.

The company has decided to write to people who buy its policies second-hand and tell them that "where a policy has been purchased from its original owner, the overall return to the new owner will depend not only on the bonuses declared, but also on the purchase price paid. We must make it clear that, since the price paid is not under our control, we cannot be responsible if the eventual return, when the policy proceeds are taken, is considered to be unsatisfactory."

At the heart of this issue is whether the surrender value paid by Standard Life is "fair". Suppose the fair value of a policy after 10 years was £10,000. If Standard Life offered a surrender value of only £8,000, then a policyholder could sell his policy for £9,000. He would be in profit and so would the buyer – since he would have bought a policy with a fair value of £10,000 for £9,000.

Standard Life, however, believes that the surrender values it pays *are* fair. In other words, second-hand investors are paying £9,000 for policies worth only £8,000.

"Bonus rates have been reduced and, if investment returns remain low in the future, further reductions can be expected. Coupled with an unrealistic initial price being paid for a policy, this could lead to the purchaser feeling dissatisfied with the return achieved at the end of the day," the company says.

Given that Standard Life is one of the most respected companies in the insurance industry, and one of the best performers, these views carry weight. And they provoked a quick response from Policy Portfolio, one second-hand market-maker, which produced a six point rebuttal. In essence, its argument is that returns from second-hand policies will still be good, may not be available elsewhere and that, in any case, the risks are clearly spelt out to investors.

The surrender value of an endowment policy is something which actuaries can (and do) debate at length. Christopher Dobie of Beale Dobie, another firm in the second-hand endowment market, points out that, after 15 years of a 25 year policy, Equitable Life can pay out 28 per cent more than Standard Life.

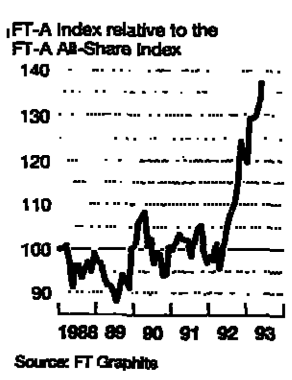
But has the second-hand market grown too quickly for its own good? There still seems plenty of demand. Kleinwort Benson's Endowment Policy Trust, which raised £30m to invest in second-hand policies in July 1992, is only 50 per cent invested and has admitted that its purchasing programme has been slower than expected. BZW and Beale Dobie are to launch a £20m offshore fund with similar investment aims. The extent of future supply is harder to assess; with interest rates low, fewer borrowers will be forced into surrendering; on the other hand if bonus rates fall, more investors may be disillusioned.

Those considering buying second-hand policies should remember the "smoothing" nature of with profits policies. The evidence is that insurance companies paid too much in 1989 and 1990 and have yet to redress the balance. Thus future bonus rates could well be lower than if the insurance companies had started with a clean slate. Standard Life has done the industry a service by highlighting the issue.

AT A GLANCE

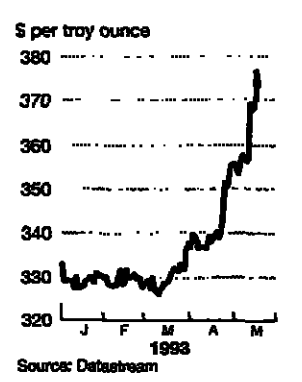
Banks

FT-A Index relative to the FT-A All-Share Index


Source: FT Graphite

Gold price

$ per troy ounce


Source: Datastream

Gold price riding a speculative rollercoaster

Gold prices had a topsy-turvy week with the US dollar price touching $384.50 a troy ounce on Wednesday, its highest level since the panic buying just after the start of the Gulf War in January 1991.
The price of gold has rebounded from a seven-year low of $327 an ounce in London on the first trading day of 1993. The rise during the past four weeks has been partly inspired by high-profile investors Sir James Goldsmith, the Anglo-French financier, and George Soros, the US investment fund manager.
However, the gold price fell back from the Wednesday peak, with some investors taking profits, and dropped to around $373 an ounce on Friday.

Banks shake off dust of ages

The banking sector has come out of the doldrums. After 16 years of lagging behind the FT-A All-Share Index, the FT-Actuaries Bank Index this week moved ahead. Throughout the 1980s, bank shares were depressed by bad Third World loans and were hit again by the recession. But the addition of Hong Kong & Shanghai Bank to the sector, and the perception that profits are set to recover, have led to a rally in the sector's relative rating.

Scottish Widows bond reissued

Scottish Widows has made a new issue of its Monthly Income Bond, which was criticised by some advisers when launched last year. As before, the bond consists of an annuity and a personal equity plan. The annuity pays the income – equivalent to a net 9.11 per cent per annum on the total invested – while the Pep is designed to grow to repay the annuity. But there is no guarantee that it will do so – the capital value of the units in the Pep will need to grow at 7.75 per cent per annum for this to be achieved – so this is far from a risk-free investment. It is good to see that Scottish Widows' brochure makes this very clear.

Offshore fund launch

Morgan Grenfell is launching a Dublin-based offshore fund investing in UK equities. The Selector UK fund is designed to complement Morgan Grenfell's existing tracker and income funds. The new fund will have an initial charge of 5.5 per cent and an annual charge of 1.5 per cent; the yield will be 2.5 per cent.

More mortgage offers

New fixed rate mortgage offers this week included a fix from Abbey National of 6.75 per cent (8.3 APR) for first time buyers. The rate is fixed until the end of January 1995 and includes one year's unemployment cover. The booking fee is £195. A shorter fixed rate of 6.95 per cent (8.3 APR) to July 31 1994 is available to all borrowers for a booking fee of £250. Early redemption penalties on both mortgages, is of 60 days gross interest. The mortgages are portable and available on all types.
Woolwich has launched a three-year fixed rate of 7.75 per cent (8.3 APR) available only on endowment or pension mortgages only. The application fee is £250 and there is a three month penalty for early redemption. The mortgage is portable.

Smaller companies still on rise

Small company shares have continued to move ahead. The Hoare Govett Smaller Companies Index (capital gains version) rose from 1407.68 on May 6, to 1423.88 on May 13, and to 1433.57 on May 20. The total rise over the fortnight was 1.8 per cent.

Wall Street

Bank stocks: flying so high, falling so low

THE WILD and unpredictable swings in share prices this year weeks have left investors understandably light-headed, and none more so than those who follow the banking sector.

If the market as a whole has taken investors on a roller-coaster ride, investors in bank stocks must feel as if they have been strapped into the back seat of a jet fighter during an aerial stunt routine.

During the first quarter bank shares reached for the sky, with the index of bank stocks compiled by broking house Keefe, Bruyette & Woods rising 12 per cent in the first three months of the year. It easily outpaced the 3.6 per cent return on the Standard & Poor's 500 and the 4.1 per cent return on the Dow Jones industrial average.

Around mid-April, however, the bank sector fell into a dramatic nosedive, and by the end of this week the 12 per cent gain recorded by the Keefe, Bruyette index had suddenly shrunk to a meagre 2 per cent gain. In contrast, after this week's record-breaking rally, the Dow was up 6.7 per cent and the S&P 500 up 3.4 per cent on the year.

So, what is wrong with the banks? They have been the centre of attention for the best part of this year because a dominant influence on market sentiment has been a growing fear of a rising inflation rate and higher interest rates, factors which affect banks more directly than any other industry sector.

Thus, when investor anxiety over last week's bad inflation numbers peaked this week – at the moment the Federal Reserve's Open Market Committee was meeting in Washington DC to discuss whether to change monetary policy in light of the inflation data – bank stocks were in the centre of the firestorm.

Of course, bank stocks have fallen so far because they flew so high in the first place. Three factors were behind the first quarter boom in the banking sector: an industry-wide consolidation process that was producing big mergers and takeovers; an improvement in earnings following cost-cutting programmes and a major clean-up of balance sheets; and low domestic interest rates, which boosted banks interest margins – the highly profitable difference between the low interest rates banks pay to depositors on their short-term assets and the higher rates banks earn on their loans and longer term investments.

These factors, plus the realisation that the big money-centre banks in New York and San Francisco had put the worst of the Latin America debt crisis behind them, contributed to a feeding frenzy in the sector.

After mid-April, however, the of feeding frenzy turned into a selling frenzy. Some damage can be attributed to profit-taking in the wake of a first quarter reporting season that displayed strong earnings across the industry.

According to figures compiled by American Banker, net profits at the top 25 banks in the US were 56 per cent higher in the first quarter of 1993 than in the same quarter a year earlier. That sharp improvement was achieved in the wake of a big drop in banks' non-performing assets (down from 2.89 per cent of all assets to 2.06 per cent) and a widening in banks' average interest margin of 17 basis-points.

As is often the case, after companies have announced profits that matched or exceeded expectations, investors sell some of their holdings to lock-in gains earned on the good earnings news.

Yet the decline in bank stocks was about much more than profit-taking. Given that widening interest margins were a key factor in the strong earnings reports, it was not surprising that when anxiety about higher short-term interest rates took hold, investors, fearing a big squeeze on bank interest margins, began to bale out of banks.

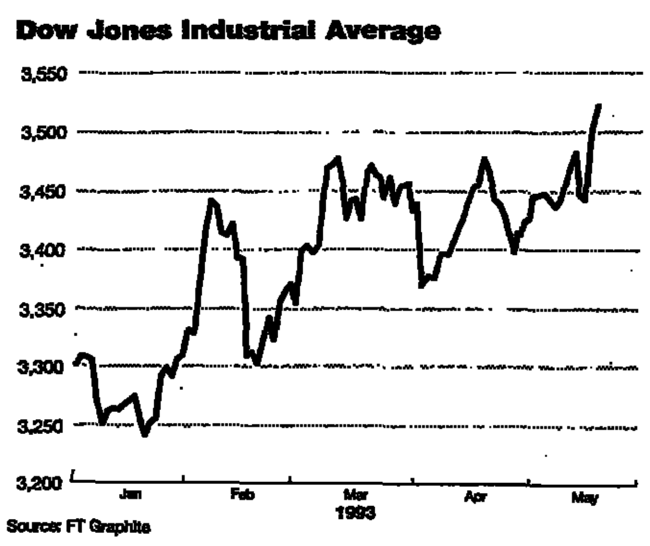
Now that the scare over interest rates has temporarily abated, the future should look rosier for bank stocks. Not necessarily. Investors worry that continued weak demand for bank loans, a slowdown in the pace of industry consolidation, and doubts about banks' ability to sustain recent earnings improvements, make the sector unattractive over the intermediate-term.

Ironically, investors are shunning bank stocks at a time when Wall Street remains relatively bullish on the sector. In the past week several big brokerage houses, including Salomon Brothers and Smith Barney, have put out buy recommendations on bank stocks.

And James McDermott, of Keefe, Bruyette forecasts that earnings per share from the 140 banks he covers will be up 15 per cent in the second quarter of this year. If investors begin to take note of his, and other analysts', optimism, bank stocks could soon be heading for the skies again.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	3449.93	+ 6.92
Tuesday	3444.39	– 5.54
Wednesday	3500.03	+ 55.64
Thursday	3523.28	+ 23.25
Friday		

The Bottom Line

Marks sparks retail revival

SIR Richard Greenbury, Marks and Spencer's chairman, could scarcely hide his irritation this week at suggestions that the City of London thought M and S shares were a good recession stock, but "boring" once the recovery began.

"On any track record evaluation that's a lot of old rubbish," was his immediate reaction.

"We will do as well next year, and the year after that…as the goods we buy, the price we charge for them and the service we give. If we get it right we will do well and if we make a mess we will do badly," was his more considered follow-up.

It is difficult to quarrel with either statement. This week's results from Marks and Spencer were impressive by any standards. Pre-tax profits increased 25 per cent to £737m, making M and S once again the UK's most profitable retailer, although turnover increased only 3 per cent.

The profit increase was flattered by the fact that last year's figure was reduced by exceptional costs of more than £80m, according to the new FRS3 accounting standard. But even stripping out those costs, profits were up 10 per cent.

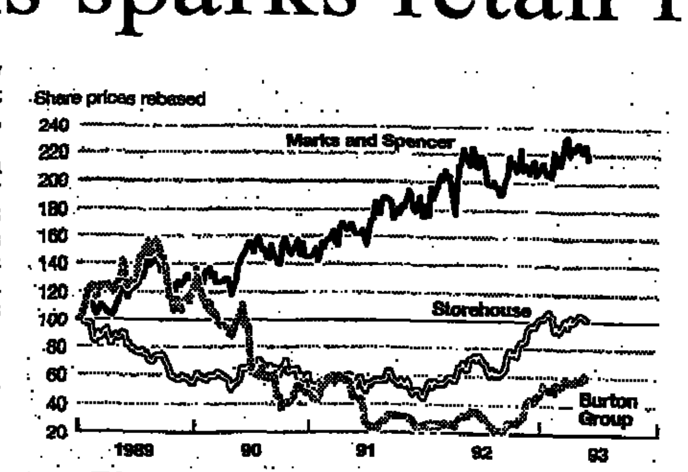
Profits and margins rose in the UK even after the company froze prices for three-quarters of its clothing range and reduced them for the rest, and its overseas businesses all enjoyed sales and profits increases.

Sir Richard's point is that a company that can do this well in a recession, provided it continues to get the formula right – a safe bet – can hardly fail to benefit from an upturn in consumer spending.

Quite right, say the analysts. But other retailers starting from a lower base and only just recovering from over-expansion and mismanagement in the late 1980s may grow at an even faster rate.

One of them is Storehouse, which reported on Thursday.

Share prices rebased



Source: FT Graphite

The improvement in its fortunes was obscured by exceptional charges of £34.1m relating to losses on last year's sale of the Richards and Habitat chains. Without those, pre-tax profits would have tripled to £46.6m, while operating profits for its remaining BhS and Mothercare chains quadrupled.

There is still room for improvement. Ann Iverson, Mothercare chief executive, is looking for increases in market share and margins and her past record suggests she can deliver. Reforms continue at BhS and refurbishment of some stores this year may help lift sales.

A more risky bet, but still a recovery story, is Burton, which 10 days ago announced a 13.3 per cent improvement in interim profits to £34.7m, and sales up 14.3 per cent to £1.07bn.

John Hoerner, chief executive, has attacked the cost base through wide-ranging rationalisation and increased part-time working. If he can continue to improve efficiency, he may start to unlock the potential of a company which has annual sales of £2bn but achieves net margins of only 3 per cent – compared with M and S's 12.5 per cent.

The problem is that recent sales increases have been stimulated largely through lowering prices, resulting in a 3.3 point drop in gross margins – a vicious circle it may be difficult to break out of.

Other clothing retailers are pulling through after life-saving surgery. Next, which helped transform the face of the high street in the 1980s before running into problems as it over-expanded, more than tripled pre-tax profits last month with retail sales up 18 per cent. It believes it can increase sales per square foot in its stores by another third.

In addition to the clothing retailers, some say stores such as Argos, MFI and Dixons are set to benefit strongly from a consumer-led recovery, and especially a pick-up in the housing market.

So where does that leave M and S? The growth prospects may not match that of some other stores, if their own and the general economic recovery continues. But few companies can offer such safe, steady growth. M and S is run superbly, and in the past five years turnover has risen 30 per cent, pre-tax profits 47 per cent and dividends 59 per cent.

As one stores analyst put it: "If I was allowed to, I'd be buying the pants off this one."

Neil Buckley

The rising cost of paying for Burglar Bill

***Scheherazade Daneshkhu** contemplates the increase in insurance premiums on home contents and tells you how to cut the costs*

PEACE of mind is becoming an ever more expensive commodity. Home contents insurance premiums are estimated by the Association of British Insurers to have risen by 20-25 per cent over the last 12 months, for the second year running.

The main reason for premium increases has been claims resulting from the rise in crime. The cost of theft from homes has increased by more than 200 per cent since the end of 1989, to £749m in 1992. Insurance companies predict more but lower increases for the next year.

AA forecasts a rise of 10-15 per cent in the next 12 months. Royal Insurance foresees increases of up to 9 per cent but General Accident says it does not expect any premium rises over the next year.

But many homeowners may be asking why they should be shouldering the burden of the rising crime rate when insurance companies are once again making profits.

Commercial Union, General Accident and Guardian Royal Exchange are all back in profit. Three other large general insurers, Eagle Star, Royal Insurance and Sun Alliance, have been dragged down by their exposure to mortgage indemnity claims, but should record profits within the next 18 months.

Insurance companies have been able to push through such large increases in premiums because competition in the industry has declined.

Over the past year, companies have concentrated on tightening underwriting by using more selective rating methods, reducing premiums for customers who agree to a higher excess and restricting cover, rather than trying to expand market share.

"Basically, insurance companies are more prepared to admit that the race for market share meant they accepted risks which were poorly priced. Now, more realistic premiums are being charged and the companies are less worried about customers going to another company," said the ABI.

Insurers have moved towards "smarter pricing" by rewarding those with a low claims history, through the use of discounts, leaving the higher-risk customers to meet ever-increasing premiums.

"We have needed to respond to rising claims but we have tried to do it in a selective way and we are not looking to put through major increases," said Prudential.

The "direct writers" which sell to the public over the telephone in the method pioneered by Royal Bank of Scotland's Direct Line, are as cautious about bad risks in the home contents market as they are in their main industry, motor insurance. Churchill, for example, will not take on anyone who has made two or more claims from its insurance company in the last five years.

In spite of the fall in competitive pressure, there is a wide variation on premiums quoted for postcoded areas as the table shows. Although the claims for the area in which you live will be the main determinant of the size of premiums, it is possible to reduce premiums, according to a number of criteria.

■ Age. Many companies will give a lower quotation to those aged 50 and above. Direct Line says its premiums fall by about 5 per cent for this age group while Royal Insurance will reduce premiums by about 15 per cent. Prudential will give a 20 per cent reduction to those 50 and above, having reduced the age from 60 years.

"Those who are over 50 are a better risk and tend to be at home more often. We want to pick up more business in this area and retain customers of this age," said Prudential. Age Concern offers a special home and contents insurance package aimed at those who are 60 years and over but the contents are insured to a maximum of £20,000.

■ No claims discount. Apart from no claims bonuses, many companies will give incentives to those who do not make claims. General Accident says that it will take up to 25 per cent off gross premiums for someone who has a record of no claims over four years. Churchill says it reduces premiums by up to 20 per cent for those with no claims in a three-year period and Eagle Star offers reductions of up to 20 per cent for a five-year period.

■ Excesses. Most home contents policies have an excess of at least £50. Homeowners can often reduce premiums if they agree to a higher excess. For example, General Accident will reduce premiums by 20 per cent for a £250 excess; Countrywide will give 15 per cent off for a £100 excess, 25 per cent off for £250 excess and £30 per cent off for an excess of £350.

■ Security. Many companies will reduce premiums for those who are members of Neighbourhood Watch. General Accident, which last year sponsored Crime Concern's Neighbourhood Watch conference, is the most generous giving reductions of up to 40 per cent for those who are members and pass security checks.

By contrast, Prudential does not set great store by neighbourhood watches, preferring to give discounts of 10 per cent for fitting locks recommended by the Master Locksmiths Association and a discount of 10 per cent off the installation of the locks. Eagle Star, Countrywide and Cornhill also reduce premiums by about 10 per cent for fitting recommended locks. Some companies will not quote unless minimum security measures are met.

ANNUAL COST OF HOME CONTENTS COVER

Companies and premiums (£) Area	AA	Churchill	CU	Cornhill	Cntrywide	Direct line	Eagle Star*	GA	Pru	Royal
London W9	433	284	351	645	351	619	refer	318	404	386
Harrow HA1	162	237	293	435	302	417	319	396	290	220
Stevenage SG1	142	115	110	210	110	177	162	183	167	118
Swindon SN2	157	115	122	195	122	161	189	162	167	118
Manchester M2	423	333	389	645	389	522	479	471	486	388
Doncaster DN1	156	123	122	255	122	212	213	318	213	162
Edinburgh EH1	187	156	148	255	148	212	256	318	213	162
Aberdeen AB1	115	106	88	180	88	161	148	171	154	95

*Premiums are based on a 3-bedroom semi-detached house owned by a married couple aged 30, both working full-time, contents cover of £30,000 (*Eagle Star, £35,000), no claims in last 12 months. Rates include accidental damage cover.*

'Lodger cover' blow for a puzzled landlady

JANE ANDREWS* has had a number of surprises since she decided to take in a lodger in February. She wanted to take advantage of the government's rent-a-room scheme, under which people who let a furnished room in their home are not be taxed on the first £3,250 of rent. The scheme is one of the government's measures aimed at reviving the private rental sector.

She wrote to Halifax building society, her mortgage lender, to let them know that she was taking in a lodger. Halifax requested details of her tax office and national insurance number to check with the Inland Revenue that her eligibility for tax relief would not be lost.

Her first surprise came when she received a letter from the society consenting "to your request to allow another person (the Lodger) to share occupation of your mortgaged property with you."

"My letter was written to advise them of a change – not requesting their permission," said Andrews. A further surprise was to come in the last paragraph of the letter: a request for a £50 administration fee.

When she called her branch manager to protest, he said that she had been sent a standard letter and did not need to pay the £50. "He also said that if customers like myself telephoned to query the charge, they were told they did not have to pay and if customers sent a cheque, then they accepted it!" said Andrews.

Halifax said this week that the £50 charge is to cover administration costs when the society consents to borrowers for establishing a tenancy agreement, or to lodgers staying at the property. It said that the information given to Andrews "was unfortunately incorrect and for this we apologise."

Andrews also wrote to her insurance company, Commercial Union, to let it know that she had taken in a lodger. After two months she received a letter which said her existing Key home contents policy could not be continued and enclosed details instead of a new policy – Guesthouse.

Andrews was distressed since the letter gave her the impression that her policy had been cancelled. Moreover, the new Guesthouse policy seemed unsuitable since she did not have a liquor licence and was only taking in one lodger.

"They said they were sorry if my letter was misleading as they had not cancelled my policy but an endorsement had been imposed, which stated that loss or damage caused by theft would not be covered unless violent means were used to enter the home," she said. This endorsement is standard practice in the insurance industry.

"I find it ridiculous that my lodger can insure his goods against me but I cannot get an all-risks cover, even though I am prepared to pay more for it," said Andrews. "On the one hand, the government encourages people to take in lodgers by relaxing the tax rules, yet on the other hand, insurance companies block this by not taking the risk."

Of the 10 companies approached (see table), Royal Insurance indicated the greatest flexibility by being prepared to maintain the same level of cover on a case by case basis.

■ **Jane Andrews is a pseudonym for a reader who did not wish to be named.*

The sparkle in a fund manager's eye

***Scheherazade Daneshkhu** on international bonds*

INTERNATIONAL bond fund managers are full of good reasons for forgetting gilts and investing in fixed interest bonds issued by governments other than the UK.

Their enthusiasm is unsurprising given the relatively high returns achieved in this sector. The performance figures for the largest 10 international bond funds in the table, produced by Micropal, show an average return of just under 19 per cent over the year to May 1 – a return assisted in part by sterling's decline. Fund managers predict more to come.

"Over the last two years, international bond funds have performed fantastically well," said Tim Kay, investment manager for Baring's Global Trust. "Our view on gilts is that there is not much more scope for prices to move upwards. The current return is probably only the coupon, that is, 7-8 per cent for medium maturities. International bonds are attractive because of the possibility of making capital gains from the European markets and currency gains from the dollar. We see the dollar strengthening against sterling."

The theory is that current UK interest rates have bottomed out or are very near the bottom giving limited scope for capital gains but the slide in interest rates has only recently begun in Europe. In addition, international bond funds give their managers scope for currency plays which the sterling denominated gilts market cannot offer.

Martin Wooller, director of fixed income at Fidelity Investments, believes that European currencies will be weak against the dollar for the next two years. Some 83 per cent of *Fidelity's international bond* fund exposure is to dollars while 60 per cent of the fund is invested in European bonds.

Yields have fallen since we last published the table on April 24, reflecting the move into recession in Europe, according to Wooller. Although a fall in interest rates in Europe offer the potential for capital growth, yields averaging 5.9 per cent for the funds listed in the table, are no longer appealingly high for those looking principally for income.

"Investors now think that the yield on bond products is low," acknowledged Kay, "but we go for total return." He believes that bond funds should be used by investors as a low risk investment as one part of a portfolio to bring down the overall risk without reducing the yield greatly.

One fund which aims to deliver a high yield and is not a total return fund is Guinness Flight's EMU trust, which invests solely in European bonds. The 9.2 per cent yield is achieved through its holding in Spanish peseta bonds (28 per cent), Italian bonds (25 per cent), sterling bonds (15 per cent), ECU bonds (12 per cent, Danish kroner bonds (10 per cent) and French bonds (9 per cent).

The performance is significantly weaker than the other funds listed, usually the consequence of choosing between income or capital growth. *Philip Saunders, director Guin*ness Flight Global Asset Management, mainly attributes the lower performance to the fund's investment restriction to Europe.

Largest 10 international bond funds

Fund	Size (£m)	Yield (%)	Perf*
Mercury Global Bond	251.2	5.4	22.2
Baring Global Bond	167.8	5.5	18.1
Perpetual Global Bond	66.0	6.2	26.1
Beckman International	50.0	3.2	19.8
Fidelity Int Bond	36.0	5.8	19.5
Norwich Int'l Bond	27.2	5.5	23.4
Cannon Int'l Curr Bond	26.2	5.4	20.7
Gartmore Global Bond	21.2	5.9	18.8
S&P Int'l Bond	20.5	6.0	22.1
Guinness Flight EMU	18.8	9.2	7.0
Sector average	29.3	5.9	18.9

*Source: Micropal. # As of May 1. * Offer-to-bid with net income reinvested over one year to May 1. Funds without one year record are excluded.*

Directors' transactions

BACK IN January Kenneth Ladd, a non-executive director of St Ives, the printing company, sold 198,000 shares at 318p, since when the share price has underperformed the market.

This week Robert Gavron, the chairman, sold 2,013,262 shares and another 1,500,000 non-beneficially, all at 317p, reducing his beneficial holding to 7,218,960 shares.

On May 6, the Bank of Scotland announced slightly lower than expected profits for 1992 and an increase in bad debt provisions. Last week Angus Pelham Burn, a non-executive director, sold 42,000 shares at 130p to reduce his holding to 166,226. This sale follows purchases made by two of the banks directors last year at prices between 110 and 119p. In recent months, the company has seen its premium rating eroded.

Four directors of Photo-Me International, the manufacturer of coin operated photo booths, exercised options over a total of 145,000 shares.

Two of the directors then sold all their new shares; the other two kept about a third to a half of theirs.

Colin Rogers, The Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
AAH Holdings	Hlth	2,375	15	1
Adwest Group	EngG	30,000	47	1*
Bank of Scotland	Bank	42,000	55	1
Barlows	Prop	100,000	45	1
Carlisle Group	OthF	100,000	17	1
Haden MacLellan	EngG	25,000	11	1
Jupiter Tyndall	OthF	10,000	16	1
Photo-Me Intl	Misc	45,000	159	2*
Reed Intl	Med	63,200	423	1*
Saville Gordon	Metl	200,000	80	1*
Schroders Non-Vtg	Merc	3,500	53	1
St Ives	Pack	2,013,262	6,382	1
PURCHASES				
Aberforth Sm Cos Wt	InTr	18,000	12	1
Oliver Group	Stor	48,095	15	2
Osprey Communicatn	Med	50,000	14	1
S'kline Beecham ADR	Hlth	1,000	$38	1
Unichem	Hlth	5,000	12	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 10-14 May 1993.
Source: Directus Ltd, The Inside Track, Edinburgh

New equity products

GUARANTEED equity products – which offer stock market growth or your money back – continue to pour onto the market.

Birmingham Midshires Building Society is offering an account which rises by 75 per cent of the increase in the FT-SE 100 index over five years *(for a basic rate taxpayer) or* by a net 15 per cent, whichever is the higher.

As with many other guaranteed products, investors benefit only from the *capital growth* of the Footsie, and not the dividend yield. At 4 per cent a year for five years, the dividend yield can make a significant difference to investment returns.

Furthermore, in line with the recent trend, the Footsie figure used for the calculation is based on the average of the last six months. This protects the investor from a last minute fall in the index, but means he gets 4.75 years growth and not five.

How good a deal is it? Although Birmingham Midshires, advertises a gross return of 100 per cent of the FT-SE, other companies have offered 100 per cent net.

Investors are thus giving up *potential gain for a better* minimum guarantee – a net 15 per cent gain versus the normal money back offer.

There is scope for early access. After 2.5 years, you can get your money back plus the greater of 56.25 per cent of the rise in the FT-SE or 3.75 per cent.

Newcastle Building Society's Nova Equity Bond offers a net 120 per cent of the rise in the Footsie over five years, or your money back. But this rise is based on the average of the Footsie over the last year of the bond, so in fact you are getting 4.5 years market growth.

Again, you get no credit for the dividend yield on the market. There is also no scope for early *encashment* (except on death).

However, the 120 per cent rate is pretty good and means that the account will come close to the total return on the market, even allowing for dividend yield. For basic rate taxpayers, this may make it as *good as an indexed unit trust*, with the guarantee thrown in. Higher rate taxpayers, however, would face an extra tax charge and would probably be better off with a low charging indexed unit trust, such as Gartmore's.

The minimum investment in *Nova Equity Bond is £2,000.*

Philip Coggan

Expatriates/**Donald Elkin**

A setback for the Revenue

THREE YEARS ago, a sudden change in the Inland Revenue's views on the taxability of offshore portfolio bonds (OPBs), caught many current and former expatriates by surprise.

Since, the authorities have been vigorously pursuing claims for the tax which they consider to be due. Some investors have paid. But for most, the matter remains unresolved.

OPBs are theoretically single premium life assurance policies although they are primarily investments. By transferring a portfolio of stocks and shares, unit trusts, gilts and so on to an offshore insurance company in return for the issue of a bond, investors could retain the right to manage their investments while – so it was thought – enjoying the tax treatment of a single premium life policy.

Such treatment is that no liability to tax arises until you take benefits from the bonds – and not even then provided you keep within the so called "premium allowance" which permits drawings each year of 5 per cent of the sum originally invested.

Clearly, since the insurance companies, being based offshore, are beyond the reach of the Inland Revenue, such arrangements enable you to avoid tax altogether for extended periods, even when you are resident in the UK and drawing a 5 per cent "income" from your bonds.

It was, no doubt, this, combined with the fact that considerable sums were being invested, which attracted the attention of the Inland Revenue. Its reaction was to claim that a 60-year-old piece of anti-avoidance legislation – currently Section 739 of the 1988 Taxes Act – was applicable.

If correct, this would strike at the heart of OPBs by enabling the taxing authorities to "look through" the bond and charge tax on the underlying income in all years during which you are ordinarily resident in the UK.

But the legislation itself contains exemptions which negate the operation of the section. To benefit, you must prove to the satisfaction of the Inland Revenue either:

(a)"that avoiding taxation was not the purpose or one of the purposes of acquiring the bond", or

(b)"that its acquisition was a bona fide commercial transaction, not designed for the purpose of avoiding tax."

It has gradually become clear that the Inland Revenue's views are by no means unassailable. Can the Section be made to apply to a bondholder who, while ordinarily resident in the UK now, did not have that status when the bond was acquired?

Indeed, those negotiating with the Inland Revenue Special Investigations Section, might well have felt that they were partaking in a dialogue of the deaf. All arguments were politely turned aside and the "party line" reiterated.

However, Royal Life International and Matheson PFC report that a client of theirs has succeeded in an appeal brought before the Special Commissioners. All assessments raised by the Inspector of Taxes have, it seems, been discharged.

This is a substantial breakthrough, even though such appeal decisions are not binding in any but the case of the taxpayer concerned and are not even officially reported.

Most importantly, the Special Commissioners found that Section 739 cannot apply in the case of a bond effected by an individual at a time when he was not ordinarily resident in the UK. Although that conclusion is directly contrary to the decision reached by the Court of Appeal for Northern Ireland in the case of Herdman v IRC in 1967, it had for some years been doubtful whether that remained good law.

Any lingering doubts were eliminated by referring – as a recent House of Lords decision makes clear may be done – to the statements of W S Morrison in the course of the 1936 Finance Bill debates, when Section 739 was first enacted.

For good measure, the appellant also convinced the commissioners that he was entitled to exemption from the section as well. His aim had been to provide for his retirement and although taxation was taken into account, avoiding tax was not held to be one of the purposes for which the bond was effected. It was also held to be a bona fide commercial transaction.

If you are an OPB holder and acquired your bond while resident overseas, this is certainly good news. Nevertheless, celebrations are, for the moment, premature. Not surprisingly, perhaps, the Inland Revenue has begun preparations which might lead to a High Court challenge on points of law, although the Special Commissioners' findings on matters of fact in this particular case, cannot be overturned.

Consequently, until the situation clarifies, anyone intending to return to the UK for residence at some time in the future, would be unwise to make investments of this type.

Without doubt, however, the Inland Revenue has suffered a severe setback.

■ *Donald Elkin is a Director of Wilfred T. Fry Limited of Worthing, West Sussex.*

Pep cheer from BT3

THE GOVERNMENT is encouraging the use of Personal Equity Plans in the forthcoming offer of shares in British Telecom, known as BT3. Better terms for Pep investors will be available in that part of the offer known as the "retail tender".

Those who apply via the retail tender will be able to submit bids on the same basis as institutional investors. Private investors will be able to participate in the tender through one of around 100 stockbrokers or financial intermediaries.

The plus point of this process is that they have the chance of buying significant amounts of shares; the minus point is that any incentives and discounts under the public offer will not be available via the tender.

The minimum investment for Peps under the retail tender will be £1,500, lower than the (yet-to-be-set) minimum for those who apply outside a Pep. Managers will also be required to make no initial charges on investments in new Peps used to acquire BT shares in the retail tender.

Investors who go for shares in the public offer will also be able to transfer their shares into Peps. However, past privatisations have resulted in some small allocations for those who apply through the public offer.

The marketing campaign for the sale of the third tranche of shares in BT starts next week with dealing expected to begin in July.

Philip Coggan

The Week Ahead

THE MUSIC industry is in the news with the announcement that the Monopolies and Mergers Commission is to investigate the price of compact discs. On Tuesday, Thorn EMI, one of the biggest music companies in the world, is due to announce its full-year results and any comments on CD prices by Sir Colin Southgate, the chairman, will be regarded with interest.

Under the old accounting system, pre-tax profits of £330m are expected compared with £255.1m in the previous year. This does not take account, however, of exceptional items relating to Thames Television, which the group recently sold to Pearson. With results reported under FRS3, this and exceptional items related to smaller disposals will be included.

Supermarket stocks have been in the doldrums recently as investors have focused on recovery plays and Argyll Group, the UK's third largest food retailing group, is no exception. The stock has been trading around its lows for the year.

Nevertheless Argyll, which runs the Safeway and Presto/Lo-Cost chains, is expected to report a rise of as much as 15 per cent in full (53-week) year pre-tax profits to between £415m and £420m when it announces its results on Tuesday – continuing a remarkable six-year period of growth.

On Wednesday, Courtaulds is expected to report pre-tax profits for the year to March of about £190m, down from £201m a year earlier. Of interest will be the impact of sterling's devaluation on its exports. But a cheaper pound will also mean higher debt.

Carlton Communications reports on Monday, forecasts are of a modest increase in interim pre-tax profits to about £53m from £49m. The improvement will be in spite of an operating loss of about £5m by Carlton Television, the new London weekday ITV franchise. The loss will reflect start up costs and weak advertising revenues.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Aberdeen Pet.	17*	17¼	16	6.39	Pittencrieff
Bexbuild Dev.	88*	87	78	3.68	Philip Shapiro
Brabant	58*	58	44	9.72	EDC
Buckingham	2¾*	5¾	4½	3.31	Purlieus
East Worcester	2432*	475	475	26.30	Severn Trent
East WorcesterN/V	1920*	325	325	2.40	Severn Trent
Erskine House	90*	90	34	84.70	Alco Standard
Gabicci ‡	48	47	41	5.75	Helene
Hoskyns	488*	58	464	433.00	Cap GeminiSogeti
Kirkland AS	562§	340	-	21.81	Oliver Resources
Lee (Arthur)	157	156	136	52.75	Carclo Eng'g.
Savage	78 ††	78	71	47.2	McKechnie
Securiguard	270*	292	185	59.20	Rentokil
TIP Europe	42*	41½	25½	71.0	GE Capital
Torado Pet.	5½	8	5	1.71	Cairn Energy
Thames TV	200*	198	175	99.00	Pearson

*All cash offer. ††Cash alternative. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 21/5/93. §§Shares and cash. †Price at suspension.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Airflow Streamline	Mot	Feb	1,500	(87)	10.38	(-)	3.0	(0.1)
Allied-Lyons	B&D	Mar	505,000	(438,000)	29.5	(28.6)	21.0	(20.0)
Appleby Westward	FdRt	Feb	1,280	(1,640)	15.7	(20.7)	9.0	(8.8)
Baring Stratton	InTr	Mar	585	(405)	3.39	(2.28)	2.29	(1.7)
Baris Holdings	C&C	Feb	351 L	(948 L)	0.2	(-)	-	(2.0)
Berry Birch & Noble	InBk	Jan	1,080	(816)	12.8	(10.1)	5.3	(3.2)
British & American	n/a	Dec	1,250	(1,270)	36.81	(34.4)	12.05	(10.09)
British Airways	Tran	Mar	185,000	(434,000)	24.1	(35.3)	10.6	(10.18)
British Inv Tst	InTr	Mar	21,400	(20,500)	4.48	(4.34)	4.5	(4.5)
Chamberlin & Hill	M&MF	Mar	1,590	(1,430)	16.07	(15.28)	6.25	(6.0)
Chesterfield Prop.	Prop	Dec	7,680	(6,660)	15.71	(12.02)	11.0	(10.5)
Drayton Blue Chip	InTr	Mar	1,510	(1,500)	9.0	(8.66)	8.4	(8.4)
Drayton Eng. & Int.	InTr	Apr	2,340	(2,360)	0.63	(0.71)	1.2	(1.2)
El Oro Mining	OtFn	Dec	1,930	(1,680)	30.5	(25.4)	24.0	(24.0)
Elswick	PP&P	Jan	1,910	(1,500 L)	0.78	(-)	0.3	(0.22)
Exploration Co	OtFn	Dec	2,480	(2,070)	14.8	(11.7)	12.8	(12.0)
Ferguson Internat.	PP&P	Feb	9,700	(4,900)	19.5	10.0	12.5	(12.5)
French Connection	Strs	Jan	102	(7,850)	-	(-)	-	(-)
Fulcrum Inv Tst	InTr	Apr♦	1,460	(984)	13.5	(9.1)	13.07	(9.2)
Gartmore American	InTr	Mar	1,500‡	(1,450‡)	4.39	(4.26)	4.0	(4.0)
Gates (Frank G)	Mtrs	Dec	898	(1,320)	3.65	(4.85)	2.25	(2.25)
German Inv Tst	InTr	Mar	298	(349)	0.42	(0.6)	0.4	(0.6)
Gerrard & National	OtFn	Apr	25,200	(15,700)	38.0	(24.3)	21.5	(21.0)
Hartlepools Water	Wat	Mar	1,220	(1,240)	126.0	(117.0)	55.0	(50.0)
Hartons Group	Chem	Dec	6,250 L	(5,360 L)	-	(-)	-	(-)
Jermyn Inv	Prop	Dec	831 L	(773 L)	-	(-)	-	(1.5)
King & Shaxson	OtFn	Apr	2,210	(820)	-	(-)	8.0	(5.0)
Marks & Spencer	Strs	Mar	736,500	(588,800)	18.0	(13.5)	8.1	(7.1)
Martin Currie Euro.	InTr	Apr	152‡	(121‡)	0.66	(0.53)	0.28	(0.2)
Merchant Retail	FdRt	Mar	1,060	(1,720)	0.84	(1.24)	1.1	(1.0)
Mezzanine Cap & Inc.	InTr	Mar	3,600	(3,100)	15.79	(13.88)	13.75	(14.5)
N Ireland Elec	Elec	Mar	58,600§	(15,000§)	-	(-)	-	(-)
Ryan Hotels	H&L	Jan♠♥	1,100 L	(975)	-	(1.11)	1.0	(1.0)
Scottish Power	Elec	Mar	297,000	(260,500)	26.9	(25.3)	11.15	(10.13)
Sturnin	BdMt	Dec	8,060 L	(1,940)	-	(-)	0.3	(0.3)
Storehouse	Strs	Mar	15,200	(15,800)	0.1	(2.6)	6.0	(6.0)
Value & Income	InTr	Mar	1,650‡	(1,490‡)	3.97	(3.79)	3.6	(3.24)
Westbury	C&C	Feb	2,180 L	(15,100L)	-	(-)	5.0	(9.0)
Whitbread	B&D	Feb	251,200	(222,100)	38.44	(35.78)	17.75	(16.95)
Young & Co	B&D	Mar	5,170	(5,590)	26.4	(27.5)	14.5	(14.5)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Acatos & Hutcheson	FdMa	Mar	5,140	(4,230)	3.0	(2.5)
ADT	BusS	Mar‡§	26,200	(42,400)	-	(-)
Anglo Irish Bank	Bank	Mar♠	4,440	(3,250)	1.36	(1.36)
Archimedes Inv	InTr	Apr	226	(200)	9.0	(9.0)
Baggeridge Brick	BdMa	Mar	383	(781)	0.75	(0.75)
Bass	B&D	Apr	228,000	(266,000)	5.45	(5.25)
BOC Group	Chem	Mar	180,100	(162,100)	23.2	(22.0)
British Gas	O&G	Mar‡	650,000	(658,000)	-	(-)
Chiltern Radio	Med	Mar	325 L	(179 L)	-	(-)
Commercial Union	InCp	Mar‡	16,200	(19,200 L)	-	(-)
Compass Group	H&L	Mar	18,200	(17,000)	4.44	(4.15)
Concentric	Eng	Mar	4,350	(3,520)	1.77	(1.77)
Diploma	Elec	Mar	8,100	(2,500)	3.5	(2.75)
Dunedin Worldwide	InTr	Apr	2,300	(1,300)	2.4	(2.4)
Euromoney Pubs	Med	Mar	5,940	(4,620)	10.5	(8.0)
F&C Eurotrust	InTr	Mar	371‡	(184‡)	-	(-)
Fenner	Eng	Feb	105	(2,280)	-	(1.7)
Group Development	InTr	Mar	4 L	(20)	-	(-)
Hanson	Cong	Mar	507,000	(500,000)	2.85	(2.65)
Kunick	H&L	Mar	2,080	(1,600)	-	(-)
Leeds Group	Tex	Mar	2,920	(2,510)	2.75	(2.33)
Lynx Holdings	Elec	Mar	105	(258 L)	0.3	(0.25)
Maple Leaf	n/a	Mar©	10,200	(12,000)	-	(-)
M & G Group	OtFn	Mar	22,800	(19,800)	10.0	(9.0)
M & G Income	InTr	Apr	4,250	(4,910)	1.0	(1.39)
Mining & Allied	Eng	Mar	347	(12)	-	(-)
Minstergate	n/a	Feb	723	(951)	-	(-)
Morg Grenfell Equity	InTr	Mar	541†	(323†)	2.0	(1.0)
Narborough Plants	O&M	Dec	102	(176)	0.5	(0.5)
New Zealand Inv Tst	InTr	Apr	129‡	(132‡)	0.5	(0.5)
Overseas Inv Tst	InTr	Mar	452#	(489#)	0.85	(0.8)
Sedgwick Group	InBk	Mar‡	40,700	(41,500)	-	(-)
SEP Industrial	Eng	Mar	883	(378)	0.35	(0.3)
Southern Business	Misc	Mar	7,200	(7,100)	1.27	(1.15)
Southern Radio	Med	Mar	263	(165)	0.3	(-)
Tadpole Technology	Elec	Mar	27	(1,400 L)	-	(-)
Telegraph	Med	Mar‡	19,100	(9,550)	-	(-)
Unilever	FdMa	Mar‡	420,000	(393,000)	-	(-)
Warner Estate	Prop	Mar	3,760	(4,110)	3.65	(3.5)
Waste Management	Misc	Mar‡	34,390	(27,300)	15.0§§	(15.0§§)
Willis Corroon	InBk	Mar‡	47,100	(42,100)	1.65	(3.3)
Yorkshire Tyne-Tees	Med	Mar	3,800	(9,600)	3.3	(3.3)
Young (H)	Misc	Mar	532	(427)	2.0	(2.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. # = After tax revenue. † = Available revenue. ‡ = Net revenue. ‡ = 1st quarter figures. ♠ = Figures quoted in Irish pounds & pence. ♥ = This years figures for 15 months. § = Figures quoted in US dollars. §§ = US cents. ‡ = Operating profit. ♦ = This years figures for 18 months. © = First quarter net earnings quoted in Canadian dollars.

RIGHTS ISSUES

British Airways is to raise £441.8m via a one-for-four rights issue at 245p.
Compass Group is to raise £86.8m via a 6-for-19 rights issue at 420p.
Saatchi & Saatchi is to raise £73m via a 10-for-27 rights issue at 130p.
Somerset Trust is to raise £5.4m via a 3-for-1 rights issue at 150p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Break for the Border is to raise £1.67m via a placing of 4.81m shares at 48p.
Inveresk is to join the Stock market via an offer for sale 22.6m shares at 150p.
Laing (John) is to raise £39m via a placing and offer to shareholders of 40.2m pref.shares
RJB Mining is to join the Stock market via an offer for sale of 20m shares at 250p.
RPC is to raise £33.7m via its market sale & placing at 125p.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Argyll Group	FdRt	Tuesday	3.2	6.55	3.65
Babcock Int'l	Eng	Thursday	1.25	1.9	1.0
Betterware	Strs	Tuesday	0.85	2.21	0.5
Casket	BsSr	Wednesday	0.15	0.35	0.3
Castings	M&MF	Friday	1.3	2.77	1.3
Cheam Group	Wat	Friday	3.5	4.0	4.0
City of London PR	Med	Thursday	1.04	1.04	1.15
Courtaulds	Tex	Wednesday	3.65	9.35	3.8
East Surrey Holdings	Wat	Friday	3.56	6.0	4.1
Europa Minerals	Mine	Friday	-	-	-
Fleming European Fledge	InTr	Tuesday	-	-	-
Gartmore Value Inv	InTr	Thursday	0.925	1.5	0.952
Hi-Tec Sports	H&L	Monday	1.65	3.85	1.0
Jackson Group	C&C	Thursday	1.0	1.0	-
Jarvis Porter	PP&P	Monday	1.4	3.0	1.5
Macdonald Martin Dists.	B&D	Thursday	2.2	6.6	2.2
Mercury Asset Management	OtFn	Thursday	6.5	8.9	3.0
Mid Kent Holdings	Wat	Thursday	4.5	5.0	4.75
Monks Inv Tst	InTr	Tuesday	2.0	4.7	2.0
National Power	Elec	Thursday	3.0	6.1	3.3
North West Water	Wat	Wednesday	6.54	13.13	7.18
Plysu	Chem	Wednesday	1.65	4.35	2.0
Prime People	BsSr	Tuesday	-	-	-
Quadrant Group	H&L	Thursday	1.65	2.35	-
Readicut Int'l	Tex	Tuesday	0.63	2.61	0.69
Rolfe & Nolan	BsSr	Wednesday	2.3	3.9	2.55
Shires Inv	InTr	Tuesday	4.2	5.8	4.2
South Staffs Water	Wat	Monday	10.9	26.7	15.0
South West Water	Wat	Thursday	7.1	14.6	7.8
Southnews	Med	Thursday	0.5	1.0	0.7
Thorn EMI	H&L	Tuesday	9.0	21.5	9.0
TR Property Inv Tst	InTr	Friday	0.6	0.85	0.4
Warnford Investments	Prop	Wednesday	2.75	4.5	2.75
INTERIM DIVIDENDS					
Apollo Metals	M&MF	Thursday	1.15	2.3	-
Capital Radio	Med	Wednesday	1.75	3.5	1.75
Carlton Comms	Med	Monday	6.7	10.3	-
China Inv & Dev Fund	InCo	Wednesday	-	-	-
Cosalt	Misc	Tuesday	4.25	4.25	-
Countryside Props	C&C	Wednesday	1.41	2.7	-
Davenport Vernon	Mtrs	Thursday	1.5	2.5	-
Dobson Park	Eng	Thursday	1.9	3.85	-
Fairline Boats	H&L	Tuesday	3.57	6.92	-
Greyfriars Inv Co	InTr	Thursday	2.0	4.0	-
Holmes Protection	BusS	Friday‡	-	-	-
Kelsey Industries	Otin	Friday	8.0	5.0	-
Metro Radio	Med	Tuesday	1.5	3.5	-
Morland & Co	B&D	Thursday	2.42	5.98	-
National Home Loans	OtFn	Monday	-	-	-
Perpetual	OtFn	Wednesday	1.2	3.6	1.8
Radio Clyde	Med	Monday	3.25	5.25	-
Scottish Inv Tst	InTr	Friday	1.6	3.02	-
Smart (J) & Co	C&C	Thursday	2.3	6.2	-
Tunstall Group	Elec	Tuesday	2.25	3.75	-
Whessoe	Eng	Wednesday	2.2	5.8	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡ = 1st quarter figures.

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Doing the Splits

Where zeros came first

***Philip Coggan** considers the six year record of Scottish National Trust*

THE STRUCTURE of split capital investment trusts can make all the difference. Two trusts might have identical investment records, but with different structures, investors can enjoy (or endure) wildly divergent returns.

The experience of Scottish National is a case in point. It moved to a split structure shortly after River & Mercantile in 1987, but with a different, more aggressive structure.

When Scottish National's split structure was created, there were several old splits from the late 1960s and early 1970s still in existence. According to Lewis Aaron, analyst at S G Warburg Securities, the problem with the old trusts was that the assets had risen so much over the years, that the trust had more than enough funds to repay the income shares. There was thus no gearing left on the capital shares (gearing in this instance means that when the assets of the trust rise, the capital shares rise even faster).

According to Aaron, the idea was that new split capital structures should have "permanent gearing". Scottish National was therefore the first trust to create zero dividend preference shares. By growing at a steady rate per year, the zeros were rather like the crocodile in Peter Pan, which relentlessly pursued Captain Hook. The trust manager, like the Captain, is doomed forever to glance nervously over his shoulder, as the zeros doggedly follow him. Only if he wins the race, can the capital shareholders profit.

The new structure was launched in the heady days of early October 1987, when the stock market seemed set to rise at 15 per cent per annum forever. Within two weeks, the Crash had ruined that assumption; and the early 1990s saw a slump in the performance of high-yielding shares, which were the major investment area for the trust.

The trust's managers have done a good job growing the assets, according to Lewis Aaron, and investors in some classes of the shares have done extremely well. But the gearing has not worked out for the capital shareholders – who have lost nearly 80 per cent of their original investment.

As the graph shows, the net asset value of the capital shares has fluctuated enormously, falling from 148.8p at the end of September 1989 to 2.8p at the last year end. In fact, if you allow for the full repayment value of the other shares, the capital shares have no asset backing at all.

Scottish National has a small amount (£1.5m) of 6 per cent cumulative preference shares. But the main classes of shares are: stepped preference, zero dividend, income and capital.

The stepped preference shares are entitled to a 5 per cent increase in dividend and asset backing per year. Issued (like all the other major classes of share) at 100p, they are entitled to be repaid at 171p in 1998. At the current share price of 151.5p, the shares are on a gross redemption yield of 8.2 per cent, according to manager Peter Kennedy. In the year to September 30, the net dividend per share was 6.08p.

The zero dividend preference shares receive no income but will be repaid immediately after the stepped preference shares. Their scheduled repayment value in 1998 is 325p, equivalent to a gross redemption yield of 11.3 per cent per annum from the 100p issue price. In retrospect, this combination of high growth (which is taxed as capital gain) and security was a fantastic deal.

Accordingly, the zeros have more than doubled since issue and the gross redemption yield at the current price of 208p is 8.8 per cent. The trust has sufficient assets to repay the zeros (at the final repayment price) 1.25 times; what in the jargon is called a "cover" figure of 1.25. Warburg's Aaron reckons "the zeros and the stepped preference shares are around the right price".

The income shares receive all the revenue of the trust after the stepped and cumulative preference shares have had their fill. Their entitlement to assets steadily grows from 50p per share on issue and will reach 100p at wind-up.

The income shares received a net dividend of 8.85p per share in the year to September 30, 1992. However, the trust has forecast that the dividend will fall to 7.5p per share this year, putting the shares, at 91.25p, on a flat yield of around 10.25 per cent.

The capital shares receive no dividend but are entitled to all the assets of the trust after all the other classes of share have been repaid. Were the other classes of share to be repaid at their 1998 wind-up value, there would currently be nothing left for the capital shares.

According to Lewis Aaron "you would have to be an extreme bull, not only of the market, but of the high-yielding sector, to buy the capital shares." He says asset growth of 5.2 per cent per year is needed for the capital shares to get any return at all; 5.75 per cent per year to get back the current price of 23p.

There are also warrants which allow the owner to buy capital shares at 300p, but it would need asset growth of 12.5 per cent per annum for these to be worth exercising.

Like many other split trusts, the manager Peter Kennedy of Gartmore Scotland has a high portfolio yield (1.5 times the All-Share Index – around 6 per cent at present) in order to offer the income shareholders a good return.

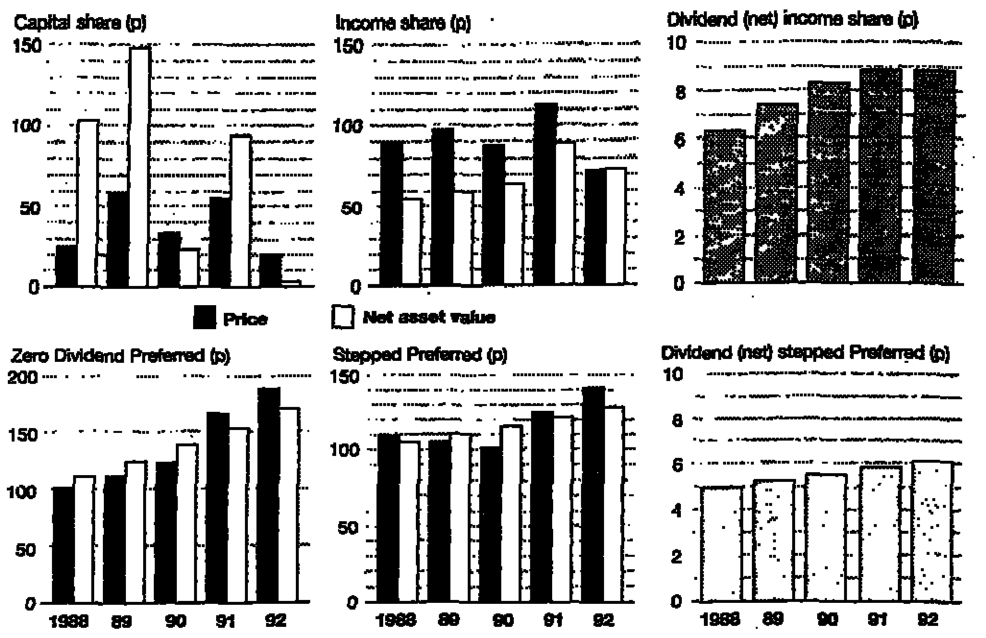
He has 15.6 per cent in gilts and 8.7 per cent in convertibles to help produce this income and his list of 10 largest stocks contains several utilities: BT, Shell, Lloyds Bank, BAT, North West Water, Welsh Water, Prudential, Scottish Hydro, Commercial Union and South Western Electricity.

■ Key facts
The trust has a market capitalisation of around £369m and assets of £343m, so the combined share package stands at a premium to asset value. Gartmore Scotland is paid a management fee of 0.35 per cent of net assets per annum.

■ Board
Sandy Struthers, the chairman, is also chairman of J & A Gardner. Other directors are: Charles Connell, executive chairman of the eponymous shipowning company; Paul Myners, chairman of Gartmore Investment Managers; Peter Runciman, executive chairman of Shanks & McEwan; Gordon Waddell, executive chairman of Fairway (London); and Archie Walker, a director of merchant bankers Singer & Friedlander.

■ Savings scheme details
The minimum investment is £25 per month or £250 for a lump sum. Buying and selling charges are 1 per cent (plus 0.5 per cent stamp duty on purchases). Gartmore no longer has a Pep specifically tailored to Scottish National.

Scottish National Trust



Keep the taxman off your land

***Richard Kirby** and **John Liddington** on little-known tax privileges*

OWNERS OF businesses and farms are well aware that the relief from inheritance tax on gifts of much business and agricultural property is now 100 per cent. What is not widely known is that, with proper planning, it is possible to use the 100 per cent relief twice, so as to double the value of assets which can be gifted free of inheritance tax.

Property qualifying for 100 per cent relief includes "in hand" (ie untenanted) agricultural property, most businesses and partnership interests, and shareholdings in unquoted trading companies carrying more than 25 per cent of the votes. The property must have been owned for at least two years.

As a result, such property can now be passed down to the younger generation entirely free of inheritance tax.

Consider Mr and Mrs Archer, whose assets are as follows: Mr Archer owns agricultural estate worth £1m, a farmhouse worth £400,000 and investments of £1m; Mrs Archer has investments of £300,000.

The Archers wish to retain and to continue to run the estate. However, they have been told that they should consider giving some of their investments to their adult children. This is because, if the Archers survive the gifts by seven years, they will avoid the inheritance tax that will otherwise be payable on death.

Unfortunately, their investments contain large gains. If Mr and Mrs Archer give them away, CGT will be payable. They therefore do not do so.

Mr Archer dies first, leaving everything to his wife. There is no inheritance tax to pay, because gifts between spouses are exempt from tax.

After her husband's death, Mrs Archer takes charge of the business, though, as in Mr Archer's lifetime, the actual day to day management is undertaken by others.

Mrs Archer dies three years later. Her property passes to the children. Both her agricultural estate and her farmhouse qualify for 100 per cent relief from inheritance tax, but she has to pay £460,000 on her investments of £1.3m (40 per cent of the excess over the £150,000 threshold).

This may seem a reasonable outcome. But the young Archers do not consider it at all satisfactory. For they have been advised that, had two steps been taken, the tax bill could have been reduced from £460,000 to nil.

One step is for Mr Archer to bequeath the agricultural estate and £150,000, equal to the tax free "nil rate band", to a suitable flexible trust for the potential benefit of Mrs Archer and the children. This will not give rise to a tax charge on his death, because the agricultural estate qualifies for 100 per cent relief, and the £150,000 is within the tax free band.

The other step is for Mrs Archer, after her husband's death, to buy the agricultural estate from the trust for its market value of £1,000,000.

The effect of this is that Mrs Archer ends up owning the agricultural estate together with the farmhouse and £150,000 of investments; and the trust ends up owning £1,150,000 of investments (ie £150,000 bequeathed by Mr Archer plus £1,000,000 paid by Mrs Archer).

The result of these arrangements is that no inheritance tax is payable on Mrs Archer's death.

It may be objected that Mrs Archer would be unwise to divest herself of most of the investments in this way, for she might require them, eg. to meet nursing home bills. The answer to this is that, as she is a potential beneficiary of the flexible trust, the investments in the trust can be paid out to her at the trustees' discretion if this proves necessary.

The moral is that owners of business and agricultural property which potentially qualify for 100 per cent relief would be well advised to review their assets and their wills to ensure not only that 100 per cent relief is available but also that it can be turned into 200 per cent relief by being used twice.

Sophisticated technical provisions are required to pave the way for the strategy, and very few conventional wills contain these. In the authors' experience, owners of businesses and in-hand farms have begun to appreciate the remarkable tax privileges which their property enjoys, or to take advantage of the tax planning opportunities which these privileges present.

■ *Richard Kirby and John Liddington are solicitors at London firm Speechly Bircham.*

Tax limit on gifts

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

IF I CHOOSE to give my son money as a gift, what is the annual limit that I can give without having any tax liability? He has a National Savings number. Could I, for example, make over a maturing certificate to his number without difficulty or penalty?

■ You are able to make an annual gift of £3,000 out of your annual exemption for inheritance tax purposes. If you have not made a gift in the previous tax year to April 5 1993, then you can double the gift to £6,000 to take account of the past year's relief.

In previous replies, I have also made reference to the possibility of providing gifts out of income; but it would appear that you wish to make a one-off gift which might not fall into this category.

It would be possible for you to make the gift by transferring the proceeds from a maturing National Savings certificate to your son. But if you are still holding the certificate, you should check the extension rate as it might not be competitive and it could be better to transfer the money into a new certificate.

This reply was provided by Barry Stillerman of accountants Stoy Hayward.

Understanding taxation

Under a previous arrangement between the UK and Manx Tax authorities, double taxation relief was dealt with by the Manx Assessor of Income Tax under an Extra Statutory Arrangement. Because of changes made by the UK Authority, I am informed that this arrangement has been set aside and I must now personally claim relief from the Inland Revenue.

As I do not understand how double taxation works I should be glad if you could tell me about any publication which would explain the operation simply.

■ Write to the Inland Revenue Claims Branch (International), St John's House, Merton Road, Bootle, Merseyside, L69 9BB, explaining that you want to claim the personal allowance and tax credit relief due as an Isle of Man resident. It will be helpful if you tell them your Manx tax reference and the types of income which you derive from the UK. You could also ask them for the free pamphlet on double taxation relief, IR6.

A diplomatic question

Being a foreigner on a diplomatic assignment in the UK I do not pay income tax here. I am considering buying a flat in England.

If I decide to let the flat after I leave the UK, will I have to pay income tax on the rental payments I receive? Will I be entitled to the personal allowance of £3,445?

I am living with an English lady who has her own job. Will she be able to have any claims in relation to the flat? Would the situation change if we got married in the UK?

■ Yes the rental income will be taxable (after you cease to be entitled to diplomatic immunity). Whether you will be entitled to a personal allowance depends on your nationality and which country you will be living in; it is a pity that you did not tell us more about yourself.

If the rent is paid to you the tenant will have to deduct 25 per cent tax; you will then have to claim repayment of any excess tax, or pay any additional tax, as the case may be. If the rent is collected by an agent (professional or private), the tenant will be able to pay the rent in full; the agent will be assessed to tax on your behalf, paying an estimated tax bill at the beginning of January each year, with an adjustment after the end of each tax year (April 5).

Write to the Inland Revenue public inquiry room, Somerset House, Strand, London, WC2R 1LB, and ask for pamphlets IR20 (Residents and nonresidents: liability to tax in the UK) and IR87 (Rooms to let: income from letting property).

Talk to your solicitor about your partner's potential claim.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Co-operative Bank	Pathfinder	0345 252000	Instant	£100	5.84%♦	Mly
Birmingham Midshires BS	First Class	0902 302090	Postal	£500	6.75%	Yly
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	7.60%♦	Yly
North of England BS	Edinburgh	091 510 0049	Postal	£25,000	7.50%	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley BS	Direct Notice	0345 247247	30 Day	£1,000	7.00%	Yly
Northern Rock BS	Postal 30	0500 505000	30 Day	£2,500	7.30%♣	Yly
Chelsea BS	Premier VIII	0800 272505	30.9.95	£10,000	9.00%♥	Yly
Bradford & Bingley BS	Max Vintage III	0274 561545	2 YrBond	£50,000	8.10%★	Yly
MONTHLY INTEREST						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	7.35%♦	Mly
Britannia BS	Capital Trust	0800 654458	Postal	£5,000	6.55%	Mly
Yorkshire BS	First Class Retn	0800 378838	Postal	£25,000	7.13%§	Mly
Chelsea BS	Premier VIII	0800 272505	30.9.95	£10,000	8.65%♥	Mly
TESSAs (Tax Free)						
Dunfermline BS		0383 721621	5 Year	£3,000	8.00%	Yly
National Counties BS		0372 739702	5 Year	£3,000	7.90%	Yly
Dudley BS		0384 231414	5 Year	£10	7.87%	Yly
West Bromwich BS		021 525 7070	5 Year	£150	7.80%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.10%	Yly
				£25,000	7.10%	Yly
Northern Rock	Current	0800 591500	Instant	£50,000	7.07%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Confederation Bank Jersey	Flexible Investm	0534 608060	60 Day	£10,000	6.75%	½Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£50,000	8.00%	Yly
Bristol & West Intl Ltd	Intl Premier	0800 833222	6 Mth ‡	£5,000	6.55%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	5.00%	Yly
Consolidated Life FN		081 940 8343	2 Year	£2,000	5.70%	Yly
Financial Assurance FN		081 367 6000	3 Year	£5,000	6.40%	Yly
Financial Assurance FN		081 367 6000	4 Year	£50,000	6.70%	Yly
Financial Assurance FN		081 367 6000	5 Year	£50,000	7.05%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.34%	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = interest paid on maturity. N= Net Rate. B = Bond. ♦ = Initial deposit of £5,000 or £100 per month required. ♦ = All withdrawals subject to 10 days loss of interest. Rate fixed only until 31.7.93. ♣ = Rate guaranteed until 1.7.93. § = 10% bonus of interest earned pa. providing no capital withdrawals. ♥ = rate fixed until 1.10.93. ★ = Earlier closure option on first year. ‡ = After 6 months qualifying period. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

Reform plan for divorcée pensions

Radical changes to family and pension law are proposed. ***Scheherazade Daneshkhu reports***

FAMILY and pensions law will be changed radically if the government decides to follow a long-awaited report on pensions and divorce released this week.

The working group on pensions and divorce was formed in January last year by the Pensions Management Institute with funding from the Joseph Rowntree Foundation. Its report recommends that courts should be given the power to divide occupational and personal pension rights between a divorcing couple.

A pension is often the most valuable asset after the home. Yet, the courts have no power to transfer pensions rights from husbands to wives. In Scotland, pensions are regarded as part of "matrimonial property" which should be shared fairly on divorce but specific guidelines and valuation methods do not exist.

The issue is compounded by the high numbers of divorces in the UK where one in three marriages ends in failure.

The recommendations apply to men and women but women will be the principal beneficiaries of changes to the law. Some 67 per cent of men receive an occupational pension in their own right compared to only 26 per cent of women. Since women's average earnings are less than men's, the average income from an occupational pension for a woman is only £30 a week compared with £61 for men.

For these reasons, the principle of pension splitting on divorce has been recognised but the difficulty has been deciding the best way of doing this.

The PMI working group recommends that pension rights should be calculated by using the same statutory cash equivalent as that used for calculating transfer payments. The courts would decide the proportion to which the wife would be entitled and the sum would be released from the husband's scheme.

It would then be transferred to the wife's occupational or personal scheme; alternatively, the wife could choose to have benefits in her husband's scheme, without the need for a transfer. The husband's pension benefits would be reduced accordingly. If maintenance is being paid, the court should be able to oblige the husband to take out life assurance for his former wife.

"To split a pension payable in the future, you have to put a value on it now," said Richard Malone, director of actuaries Noble Lowndes and a member of the working party. "The recommendation, therefore, is to use the current transfer value – a figure which would be paid out to another scheme if the member had changed jobs. This value is readily available and would not require substantial costs and administration."

In Scotland, the usual practice is for a cash equivalent of the husband's pension to be given to the wife in cash. She can either use it to provide for her own pension or can spend it. The PMI's recommendation of a transfer to another scheme means that the cash equivalent could only be used to provide a pension for the former wife.

A transfer also gets around the problem of scarce liquid assets on divorce. "One often used device [in Scotland] is to give the house to one party and leave the pension rights for the other unaffected. While this may work where there is a great deal of equity in the house, recent conditions make this solution less and less likely to be effective," said Bob Hubbard, president of the PMI.

The working group adopts the principle of a "clean break" (see below), where the financial link between the divorcing parties is severed as soon as possible. The reallocation of assets is thus not dependent on either party's future actions.

There are complications, however. Many employees are contracted out of the State Earnings Related Pension Scheme with part of their pension rights – the guaranteed minimum pension – standing in place of Serps. When payment of the pension starts, this portion is set against the Serps entitlement.

The PMI would like to see the GMP regarded as a pension fund asset which could therefore be reallocated on divorce, but this may not be possible if it is treated as a state benefit.

Another difficulty is where a divorce takes place when the pension is already being paid. The PMI recommends earmarking part of the pension and paying this to the divorced wife with life assurance for her funded from other assets.

The PMI's report is a set of recommendations and it is too early to say how much will be acted on. Women considering divorce will probably find that there is little point in a tactical delay in the hope of benefitting from any law changes. Sir Alec Atkinson, chairman of the working group, estimated it would be at least another two to three years before prospective changes in the law would take effect.

However, if the recommendations are followed, divorced women stand to benefit substantially as illustrated by the following case studies provided by Noble Lowndes.

A couple divorce at the age of 35 after 10 years of marriage. The husband, who started a pension before the marriage now earns £40,000 and the value of his accrued pension rights is £31,000. His wife, who stopped work on a salary of £15,000 to have children, has 5 years of pensionable service behind her and the value of her accrued rights is £7,000. The balance is £24,000 in the husband's favour. Under the PMI guidelines, the wife would be entitled to half this amount – or £12,000 on divorce.

At the other end of the scale, a couple divorce after 35 years of marriage. The 60-year-old husband has just retired on a final salary of £70,000. The value of his pension rights is £713,000 and his current pension is £46,667. His wife, who has never worked, has no pension rights in her name. On divorce, she would be entitled to either half the value of her husband's pension fund – some £356,500 or an earmarked pension of half that payable to him, namely £23,333.

The cost of a clean break

Divorce can be financially traumatic, warns ***Heather Farmbrough***

ONCE DIVORCE proceedings start, most women understandably feel they want to be independent from their former partner as soon as possible. In the highly charged emotional climate which surrounds most divorces, they may be tempted to agree a less than perfect financial settlement to speed up the process.

When a couple is relatively well-off, a so-called "clean break" settlement may seem the most attractive arrangement. This involves a one-off capital payment with no maintenance. The links are severed, the recipient – usually the wife – has a tidy sum over which she or he has total control, and both parties can rebuild their lives.

That is the theory, but it does not always work in practice. For the wife, the danger with a clean break settlement is that there is no coming back for more. If she falls ill she may find there is not enough income to cover long term nursing care.

A clean break may be better for a younger woman, but it may seem unfair on elderly wives if their husbands keep the lion's share of the family assets. And if things go wrong, there is little chance of help from an ex-husband – as Sarah Hardy discovered.

When she married, her husband encouraged her with his financial backing to become an underwriter on a number of Lloyd's syndicates which were then profitable. She divorced in 1989. One of the syndicates is now facing heavy and as yet unquantifiable losses. Although Sarah resigned from Lloyd's in 1987 she faces possible financial ruin as a result of her share of the syndicate's losses. She bitterly regrets not arranging a token amount of maintenance as this would have enabled her to go back to her former husband for help with her living expenses.

Like many women, once her marriage broke up she wanted to be financially independent. The lump sum enabled her to buy a flat and still have some money to invest. She also felt that a one-off capital sum offered her greater certainty than a future depending on maintenance payments. Had she had children, their education and needs would have been met by separate maintenance orders in their favour.

If she had agreed a conventional "capital plus maintenance" settlement, rather than a clean break, she could in certain circumstances have gone back to the court to vary the level of maintenance (it can go down as well as up). However, maintenance levels can only be varied to cover income needs and not capital, so she would have been unable to claim against her former husband to cover her Lloyd's losses.

In Sarah's case, however, such a settlement would have been unlikely as her husband was exceptionally wealthy. When a couple is reasonably well-off, solicitors and the courts will usually propose a clean break arrangement. Indeed, courts are specifically directed to try to do so. The courts decide how much the wife should get and how that figure should be determined, setting a precedent for solicitors.

Over the last 15 years, in assessing the appropriate sum the courts' approach has been very much based on the wife's strict income and capital needs – what she will need to re-house herself and so on. While looking at the amount required to compensate her for the loss of maintenance to meet her income needs, the courts will also look at her life expectancy. The shorter this is, the lower the sum required. The sum is assessed on the same basis as an annuity.

The husband may be left with a far higher proportion of the assets although his needs may be equal

This may be better for a wife in her 30s who may well remarry, but for the elderly wife of a wealthy man the situation is less rosy. Until 15 or 20 years ago, when settlements were more likely to have been based on a share of the couple's assets, a wife of many years could reasonably expect to receive a settlement equal to at least one third, sometimes half, of the couple's assets.

But nowadays, given the courts' increasing tendency to make orders on the basis of reasonable needs, she could end up with considerably less. Her husband may be left with a far higher proportion of the assets although his needs may be equal. Only where an exceptional contribution has been made by a wife towards a family's wealth will she get more than she ostensibly needs.

As matrimonial lawyer Siobhan Readhead, a partner with the solicitors Radcliffes & Co, argues: "The net result of all this appears to be that increasingly little value is placed on the contribution made by a wife in terms of bringing up children, home making, caring for the family and supporting a financially successful husband. Furthermore, the older and longer serving the wife, the less she needs to maintain herself until death and therefore the smaller the proportion of the assets she may be awarded."

Obviously, settlements depend on individual arrangements and circumstances. There is no golden rule as to how much money a couple need to have to justify a clean break; much more depends on whether the wife needs to be re-housed and the kind of income and lifestyle to which she is used. In a number of cases, the ultimate decision on the kind of settlement will rest with the courts.

But a clean break settlement is safer and surer than maintenance payments and usually better for women with careers. "If it is possible to get a decent amount of capital, there may be some justification for a clean break," says Fiona Price, managing director of independent financial advisers Fiona Price and Partners, which specialises in advising women.

Should you find yourself heading towards divorce, what should you do? It is worth engaging a good specialist matrimonial lawyer who can advise you how to protect your interests the moment you realise your marriage is in serious trouble. You will also need a good financial adviser.

During divorce negotiations, one of the first things a professional adviser will ask you to do is to make a list of your and your husband's income and assets. "The biggest problem," says Price, "is that many women have no financial experience and few financial arrangements in their own name. They have not filled in a tax return so it is very difficult to get the information they need. It is often down to how clever the solicitor is in finding out about the husband's assets. It may even involve the wife rummaging through drawers when the husband isn't there."

You will also be asked to work out exactly what you spend. Fiona Price finds that women often underestimate this. Make sure you include the odd coffee while shopping, the papers, the hairdresser's tip and holidays as well as your community charge, mortgage and gas bills. It can be dangerous to be too parsimonious over this period because your husband may be able to argue that you can afford to live like this all the time.

If you want to remain in the family home, one option as part of a clean break settlement is to buy out your husband by paying him a lump sum for his share. If you have to borrow the money or raise an extra mortgage, you will be able to obtain tax relief on the mortgage. Your husband, too, will be eligible for tax relief on a mortgage for a new home. If the family home is to be sold and the housing market is volatile or rising, it may be worthwhile to agree on a percentage of the sale proceeds rather than a specific sum of cash.

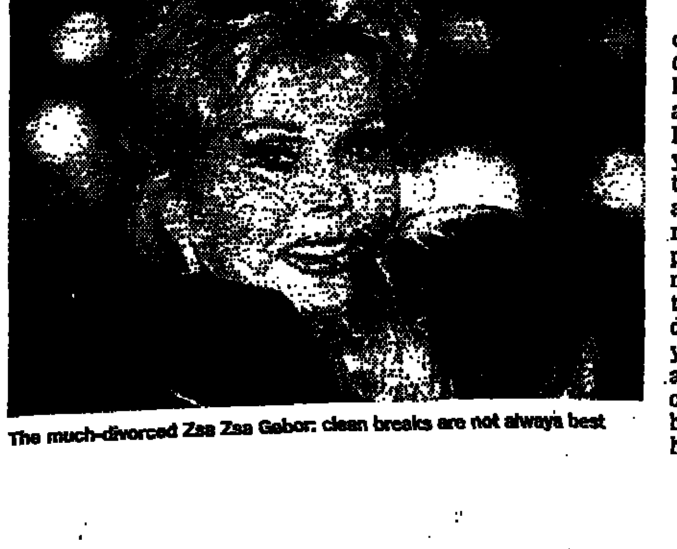
While negotiations are proceeding you will have to agree on a temporary financial arrangement until your settlement arrives. In most cases, existing arrangements for household bills and school fees continue. But it may be pointless venting your feelings by going on a credit card spending spree as a thrifty husband may have already cancelled his payment arrangements.

If you are awarded a lump sum and are going to depend on this money for the rest of your life, you need to invest shrewdly. You want to get the highest possible income in the most tax efficient way, without exposing yourself to risks and leaving plenty of flexibility.

Remember that you will be taxed on the income from the settlement, whereas maintenance is not chargeable to tax. However, if you do not use your personal allowance, the first £3,445 would be tax free.

But perhaps the most important advice for all women, however unlikely divorce might seem, is to consider how you could remain independent if things do go wrong.

Even if you give up your career and have no independent income, it is important to know what financial provisions are being made for the future. It is also a good idea to keep your own savings or inheritance legacy in a separate account and to ensure that as many of the family assets as possible are held in joint names. And remember, next time you contemplate leaving, divorce can seriously damage your standard of living if you are married to a rich man. The older you are, and the richer he is, the smaller proportion of his assets you are likely to get.



The much-divorced Zsa Zsa Gabor: clean breaks are not always best

MINDING YOUR OWN BUSINESS

Child's play for teachers

Cynthia Hurst meets two women who make educational games

THE THREAT of redundancy turned out to be a blessing in disguise for two Oxfordshire women, who have turned their experience of helping children with learning difficulties into a thriving business.

Sue Lucksford and Jasmine Davey started HELP (Help Eliminate Learning Problems) Educational Games, in the summer of 1991 when both – in their 50s – faced possible redundancy. In the event, Lucksford retained her position as a special needs teacher in Didcot, but Davey lost her job as a special needs resource technician, and a spare room in her home became the base for the new enterprise.

HELP has found a ready market for its 13 board and card games. These are aimed at specific reading and spelling problems, including dyslexia.

"Teachers are snatching them up," said Davey. She says teachers have less time to develop their own learning aids, and so are eager to find a ready-made product.

"The potential to expand is enormous – we haven't touched half the schools in Britain yet. As far as I know, no one else is doing this sort of thing, so there was a gap in the market which we filled."

HELP began modestly, with private savings, some financial backup from the government's Enterprise Allowance Scheme and free advice from the Heart of England TEC and the Thames Business Advice Centre. Turnover in the first year was £20,000, and has grown to £3,000-£4,000 a month. The games are priced at about £10 each.

"We've been ploughing all the money back into the business, so we haven't borrowed at all except to buy an Apple Mac computer," said Davey. "I was doing all the graphics with Letraset before, which took forever, but now I can do them on the computer, and we also keep a database of customers on it."

Ideas for the games, with names like Odd Bods, Black Hole and Secret Sid, come from Lucksford. They cover an age range from four to adult education, and include some blank cards for teachers to add their own words.

Once an idea is developed, Davey does the artwork, developing it to the ready to print stage. Most of the printing is done by a company in Northamptonshire, which then ships the games nearby for finishing, cutting and packaging.

They are then returned to Didcot, where Davey, Lucksford and their families make sure each game box has the proper components and instructions. They are shipped from the local post office to schools throughout Britain and Ireland, and as far afield as Pakistan, where a British school has placed an order.

At the moment, lack of money is the main obstacle to expansion.

"We really can't afford to do a lot of advertising, but we have had quite a bit of success with educational shows and we have been included in the catalogue for a purchasing group in Yorkshire," said Davey. "We tried mail shots at first, but that was just too expensive. And we'd like to do educational shows in London, but the cost of a stand is about £1,500, compared with less than £100 elsewhere."

She has taken HELP's products to shows, although travelling is difficult because her disabled 16-year-old son needs constant care at home.

"The schools in Wales were very interested," she said. "One school wanted to know if we could do versions in Welsh, and we'd be happy to try, but some of the games are based on rhyming words, and what rhymes in English wouldn't rhyme in Welsh."

■ *HELP Educational Games, 29 Churchill Close, Didcot, Oxfordshire Tel: 0235 817241*

Programmed for success: Tom Chapman at Matches uses computers to keep track of customers' tastes

Trevor Humphries

From rags to riches

Nick Garnett visits a boutique which found success when it moved upmarket

TOM Chapman punches a few keys on a computer in one of his four clothes shops and on the screen appears itemised listings of what his well-heeled customers have been purchasing. Rolling through the customer base, a long entry suddenly flashes up.

Earlier this year one man strolled into Chapman's tiny retail empire and spent £13,500 on himself in one go. The screen tells the tale. Rows of Cerruti suits at £500, several Armani trousers at £230 each, blocks of Missoni ties starting at £50, £300 crocodile belts by J M Davidson, Gianni Versace shoes from £225 a pair. "The largest single purchase we've had like this is probably £20,000 to £25,000," Chapman says. Recession always leaves some people unscathed.

Chapman is only 29 years old. He started his first clothing shop in Wimbledon 10 years ago and made a £6,000 loss in the first 12 months. Last year, his company, Matches generated sales of £3.1m, on which it made a pre-tax profit of £245,000. Apart from a nice salary the business provides Chapman with a Mercedes sports car and a house in one of the smarter parts of this village suburb in south-west London where he has all his retail outlets, virtually next to each other.

Chapman started Matches as a teenager with no knowledge of retailing or clothing. He studied hotel management at college. His wife, Ruth, had done a management trainee course with Jaeger, the clothing retailer. Although Matches is successful, the first four years were bit of a disaster. "We started too far down market. It was only in 1987 that we began to get it right so we really only got one year of the 1980s retail boom."

Chapman began with £6,000 of his own money and a £5,000 overdraft facility from Barclays. He took a lease on a small shop for £4,000 a year. "Rents were much lower then. On that unit it is now £21,500."

This was the time of Next and Benetton and Chapman chose to sell relatively inexpensive clothing but a little more exclusive than those offered by the chains. He pored over trade magazines and bought in London's fashion district around Great Portland Street – "that's the cash and carry for the trade". He also visited Paris and Milan, using addresses of suppliers there provided by the French and Italian trade centres in London.

"It was a lot easier then than now. You could get three months' credit but no wholesaler will accept that now. It's too risky." The shop though was not a raging success. After a first-year loss it broke even in its second year and made a paltry £9,000 profit in its third.

Then Chapman's luck turned. He found himself lumbered with nine women's sweaters retailing at a hefty £270 and was astonished to sell them all within a week. It was the end of 1986. "That made us think we were working too low down the market. We needed to sell an image, and promote a more glamorous feeling within the shop." The unit was refurbished, more expensive designer-labels introduced and profits soared in the year to April 1988 to £90,000 on a turnover of £320,000. A menswear shop was opened virtually next door in 1988.

Matches' four shops are made up of two menswear units, one dedicated to more casual clothing, and two for women's wear with one unit given over entirely to the Italian brand Max Mara. All shops are small, about 600 sq ft each.

Matches raised turnover last year by a quarter and is aiming to increase it 15 per cent this year. This growth is based on strict guidelines Chapman adheres to on buying policy, pricing, shop design, staff training and target marketing.

Chapman sells clothes from about 75 so-called "collections", most of them from top designer labels including Byblos and Umberto Ginocchietti, Moschino, Ralph Lauren and Montana. Almost all are French and Italian, together with the occasional American and Spanish brand. Matches sells a few British labels, including Joseph Conran and Rifat Ozbeck but fewer than it used to. "We had too many problems with quality and they are also very small with generally a small-minded attitude to business. You would get them saying to you: 'would you mind paying 10 days early because I've got the bank on my back' or 'we can't deliver on time because we can't get the cloth.' Joseph Conran now produces in Italy."

Matches sells almost no clothing from Germany. "German lines have never worked for us. They do not have the cut or style or feeling we are trying to promote. Hugo Boss is the only German line we carry. It has its devotees."

Chapman has exclusivity agreements with most suppliers, usually stipulating that they cannot supply to other retailers within a four mile radius from Wimbledon.

Chapman says he sticks rigidly to recommended retail prices which are used by 70 per cent of his suppliers. He complains to them if he discovers any shop selling below. He says that some West End department stores sell above. One top label stipulates that retailers must sell at a mark up of 300 per cent – to protect sales at its own shops. Chapman says this is unusually high. Matches operates on a gross margin of 38 per cent. Some people able to pay say £1,365 for a Versace jacket might not care much perhaps about who is making what margin.

The shops are done out with stone flooring and low level lighting. Refurbishment costs up to £70,000 a unit. Customers are offered coffee, and beer and wine is also available. Sales staff are on a basic salary of £11,000 a year but get bonuses on each individual sale of more than £600. This reflects the company's aim of selling a complete "look" to a buyer: men's suits are displayed with matching shirts and ties. Each shop has a manager and the tiny group has a relatively high staff level of 24. Sales staff are required to be friendly and non-pushy and saying "Can I help you?" is banned. Staff costs last year were £380,000.

Attention to detail is encapsulated in the use of the company's £45,000 computer system designed specifically for retailers. Chapman uses the information this churns out to target catalogues to those on the 9,000-strong mailing list depending on what they have already purchased. Individual customers' sizes and preferences in colour and style are tabulated making it easier for spouses and other relatives to purchase gifts. Customers can buy at one-sixth the price, paying the rest over six months, a method used for £400,000 of sales last year. The computer system has been stolen once and Matches suffered one ram raid. A quarter of the company's turnover is made in its annual reduced-price sales.

Chapman's next project is a retail outlet in the US where he is looking for a site. "I have this idea of a shop where you can buy clothes, have something nice to eat, may be have pottery or antique pens or whatever for sale in the same area making it a unique experience for the customer."

■ *Matches, 24 Lancaster Place, Wimbledon Village, London SW19 5DP. Tel 081-946-2540.*

Mutiny at sea

■ From Page I

Cape Town to the Solent. "But after racing over 20,000 miles already they've changed from a spoon-fed group to a highly professional team."

He adds that the skippers as a group possibly had the largest identity crisis of all. They had not selected the crews and their own manager Chay Blyth often seemed to listen to the clients (who, after all, had paid out a total of £2m) or the sponsors (a further £2.5m) rather than his own staff.

In contrast to the sophisticated programme devised for the CVs, the skippers and management from the Challenge Business were left to rub along with one three-day training weekend at the British Steel business college at Leamington Spa. "It wasn't long enough," admits Blyth now. "When we run the next race it will be a two-or-three week course for the skippers."

Certainly one can be sure that conventional leadership and management training courses will have been overtaken by what has been learned on this first race. "The skipper's personality comes into it much more than in most management questions because you are living cheek-by-jowl with the rest of the team for weeks at a time," reflected Pete Goss, whose yacht has consistently been within the leaders at every stopover and may still win the race. "There are definitely different style from boat to boat and the key determinant is the skipper."

Richard Tudor, a former sailmaker who started his own business at the age of 18, had possibly the worst crisis of morale to cope with. His yacht British Steel II won the first leg comfortably and was bookmaker's favourite to win the whole race. Exactly halfway between Cape Horn and New Zealand, the furthest point from land on the planet Earth, the boat lost its mast after equipment failure.

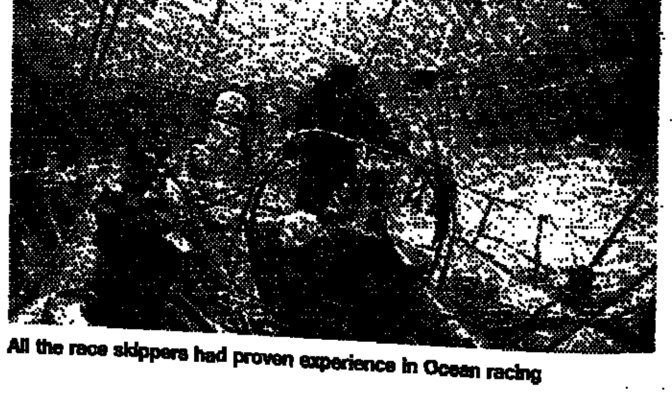
"Once we realised that we had enough food and fuel to survive and that no one had been injured when the mast fell down, everyone aboard had to come to terms with being without a chance of winning the race. We weren't even sure if we could reach Hobart in time to re-start on the next leg," said Tudor, a charismatic Welshman given to quoting from "The Ancient Mariner."

"We had one crewman sitting at the saloon table suddenly take his spectacles off and beat them to fragments with his fists out of sheer frustration. It was quite dreadful." Tudor's influence in keeping the boat's spirit in good enough shape to have them arrive in Tasmania raring to go on the next leg is remarkable.

While other yachts have had personnel come and go, British Steel II has the same squad it started with 16 months ago, without a change of watch or watch leader.

"My experience of management is running my own business but here I know I'm not trying to sell anyone anything. I'm purely a motivator. I also have to be aware that with a high-powered workforce (and Tudor has several highly successful self-made business tycoons aboard) there only one way to do a job and that's the right way."

Probably the "skipper's skipper" most admired by his peers is the veteran John Chittenden. Although the most experienced man of the sea, he has rejected almost all of that ethos in favour of a shrewd, patient knowledge of humanity. "The running of a merchant ship has evolved over hundreds of years into a pretty well bomb-proof routine. Here we're not into all that shadow of the yardarm stuff," he laughed. "This has to be invented as we go."



All the race skippers had proven experience in Ocean racing

SPORT

Rallying/John Griffiths

Marathon which drove to the limit

IN THE END, the London to Syney rally was a marathon fully deserving of the name. It evolved, over 30 days and 11,500 miles of some of the world's roughest and most remote roads and dirt tracks, from a tough but conventional rally into a sometimes harrowing test not just of driving skills but of endurance and the will to succeed, or even survive. En route, most notably in its 1,200 miles traverse of the bedlam which envelops even the most rural of India's roads, it descended occasionally into the stuff of nightmare.

The "sting in the tail", 3,700 miles across Australia where hazards covered the spectrum from choking dust to blinding blizzards, confirmed that it is an event deserving a place in motor sport history. That 86 cars out of the 106 which set out from London on April 17 on the Lombard Marathon made it across the finishing line at Sydney Opera House on Sunday might give the appearance that it was easy – at least in comparison with the original 1968 event, whose 25th anniversary this marathon commemorated. In 1968, only *half* the starters managed to stagger into Sydney.

But in reality, the 1993 event "has been 100 times more competitive than the 1968 version," according to the 1993 director, Nick Brittan who competed on the original marathon.

In 1968 the marathon was mainly a test of stamina. It took just 11 days to complete. This year it took 30. In 1968 a competitor who developed a problem could not stay up with the event and simply fell by the wayside. The 1993 marathon stopped each to avoid having a bunch of fatigued and semi-comatose rally drivers hurtling across continents for days and nights on end.

That in turn has allowed a benevolent rally rule that, provided a competing car can roll across the start line each day, it can be deemed a finisher.

A close look at the results reveals the full story: Francis Tuthill and Anthony Showell, the deserving British winners in their Porsche 911, incurred time penalties of 13 hours, 36 minutes and 11 seconds during this odyssey.

Second-placed Ian Vaughan, a vice-president of Ford Australia, and co-driver Barry Lake were 14 minutes and 20 seconds behind in their Ford Falcon. Even *Daily Mail* photographer Neville Marriner and I only incurred a total of five hours' more penalties in bringing home our Unipart-backed Lotus Cortina 36th.

By 50th place, penalties were measured not in hours but in days. The last classified finishers, Australians Les and Roselee Johnson in their Ford Mustang, incurred penalties of more than three days and nine hours.

For these, and many others, the closing stages were not a fight to the finish against other drivers but a fight merely to finish, trying to hold together cars deranged by the constant batterings of rough special stages, often taken at 100 mph-plus, or damaging off-track excursions into rocks or trees.

Lawrie Beach and Jim Rosenow had become Australian heroes by the time the marathon had carved its way across the Nullarbor plain and the worst of the outback. Purely privateers and with no significant sponsorship, they had carved their way to third place overall in their Ford Falcon.

On the penultimate day, their rear axle broke. They repaired it. on the final stage of the final day the differential broke. They finished in 55th place – on a towrope. Not once did their composure or the good humour falter.

In contrast, we became almost embarrased by the reliability of the Unipart car. We had started out calling it derisorily the Pompidou centre because of its roof-mounted exhaust and other external pipework – and finished up fondly calling it the "old girl". Over all 11,500 miles, despite crashing once into rocks and once into the trees, plus several other minor excursions, damage was confined to four exploded tyres. Otherwise we merely changed oil, filters and other mundane items.

The casualties were not only mechanical. There was a disclaimer attached to every competitor's dog tags reminding us that "motor sport is dangerous". For Jenny Brittan, wife of the organiser, and herself a respected former racing driver, the caution became reality in an accident on a stage between Port Augusta and Broken Hill, when the Escort she was driving with David Thomas hit a tree and rolled itself into a ball. Jenny broke five ribs.

By the time we reached Sydney four lives had been lost.

Australian co-driver Brian Ginger died in a road accident in Turkey. Basil Wadman, co-driver to Tony King in their Hillman Hunter, suffered badly from severe food poisoning as the marathon wound its way through the 50° heat of the Rajasthan desert. He reached Udaipur in a state of collapse and died after 12 hours in a Delhi hospital.

Basil did not have my good fortune in being detected, in similar state, by nurse Jill Diamond, also competing, as our cars stopped together at petrol pumps.

She wrapped me in rags for an 800 km drive to Bombay in scorching heat, and had Neville keep drenching me in water as he drove. Drifting in and out of consciousness by the time we reached Bombay, and barely aware of being lifted out of the car, where I was doubly fortunate to fall straight into the hands of Dr Rosemary Nixon, another competitor.

It was in India, too, that two young spectators lost their lives. Had this happened in eastern Europe or Turkey, the scene of some earlier irresponsible driving, the marathon could well have been plunged into crisis. I hope, as do many of the other drivers, that it will be a long time indeed before I drive again in a country where, even Indian officials acknowledge, there is a fatality every 70 kilometres of the Udaipur to Bombay road - on every single day.

In all other respects, this marathon has proved to be an event unique in its format and extraordinary in the variety of images and experiences thrust before its competitors' eyes. The 50th anniversary Marathon would be in 2018. Mr Brittan, my entry cheque is in the post.

Tennis: the French Open

The slugger takes aim

***John Barrett** on champion Jim Courier*

SUCCESS, they say, breeds success. If you believe such aphorisms then look no further than the 22-year-old American, Jim Courier, as the winner of the 1993 French Open which begins at the Stade Roland Garros in Paris on Monday.

For the past two years he has outhit, outwitted and outlasted all opposition on the slow red clay. Courier in full flight – a whirling mass of flailing arms and pumping legs – may not be a pretty sight but his physical game is undeniably effective. Courier, a stocky right-hander with a two-handed backhand, dashes about the court smiting the ball as if he hates it. His western grip forehand, a heavy topspin blow which delivers most of his winners, resembles the slugging action of a baseball batter. Not surprising, this, because Jim seriously considered a career in professional baseball with the Cincinnati Reds before settling on tennis. The baseball cap and the striped shirts he wears echo his lasting love affair with America's national sport.

Courier is trained by Jose Higueras and Brad Stine to peak at the Grand Slam events. "They are the only wins anyone ever remembers," he says. He looked fit and hard again when I watched him overpower Goran Ivanisevic to win in Rome last Sunday, his fourth tournament win of the year. He thrives on physical challenges, as he proved on a sweltering afternoon last January in Melbourne by outplaying Stefan Edberg to win a second consecutive Australian title.

Is there anyone with the physical and mental qualities, as well as the technical ability, to unseat him? In last year's final Courier overwhelmed Petr Korda. The Czech form does not suggest he will be a serious challenger this time.

One who may have the necessary qualities is the 18-year-old Ukrainian, Andrei Medvedev. He won the junior champion at Roland Garros in 1991 and defeated the experienced Swiss Davis Cup player Jakob Hlasek in last year's French Open en route to the fourth round, where Courier ended his run.

Medvedev won his first tour titles last year in Geneva and Stuttgart and this year has won in Estoril and Barcelona, both clay court tournaments. He is a tall and intelligent young man, with a lively sense of humour, mature beyond his years. His fluent baseline game – few men hit the ball harder or time it better – gives him a solid base from which to mount his net attacks and his tactical awareness is already well developed. He is just the sort of player who might make a sudden surge – as Michael Chang did at 17 in 1989.

Could Chang do it again? Certainly he has the courage and determination to succeed, plus a wonderful return of serve, and few men can equal his speed about the court. But the modern game is dominated by young gorillas wielding their graphite rackets like Darth Vader's light sword.

One such giant is the 6 ft 5 in German, Marc Goellner. His feat in beating Edberg and Lendl to capture the Nice title as a qualifier last month was remarkable. It would be even more astonishing, though, if he were to do anything of note in Paris. Life is not that simple.

Of the others Ivan Lendl, with three previous wins from five finals is the most experienced. Furthermore he has just won on clay in Munich and is as fit as a flea but at the age of 33 he may no longer have the mental stamina to win seven hard matches in a row.

The new world No 1, Pete Sampras did not look impressive in losing to Ivanisevic in Rome but claimed he was only preparing for Paris. At his best Sampras has the powerful game to beat anyone but I fancy his chances more on Wimbledon's fast grass than on slow European clay where his *lack* of patience is exposed.

What of Becker? A former semi-finalist, Boris has still to win a tournament on clay. Like Sampras, expect more from him at Wimbledon.

Overshadowing the women's event is the absence of the champion Monica Seles. Gunther Parche's attack on the world No 1 in Hamburg will have repercussions throughout the sporting world. Security at tennis tournaments will be increased with players escorted to courts where they have to pass among the paying public.

More worrying is the copycat factor. In Rome last week police arrested Hubert Uebele, a bearded middle-aged man from Heidelberg. They took him back to his hotel room and discovered a pistol, knives, pictures of Gabriela Sabatini and Becker and tickets for front row seats for the Foro Italico.

The women will all try to block out thoughts of danger as they battle for the absent queen's crown. The obvious favourite is Steffi Graf who has won two of her five French Opens finals. A recent win in Berlin will encourage her supporters but I am not convinced that Steffi has recovered the consistency which she will need on slow clay. Too often of late there have been lapses of concentration.

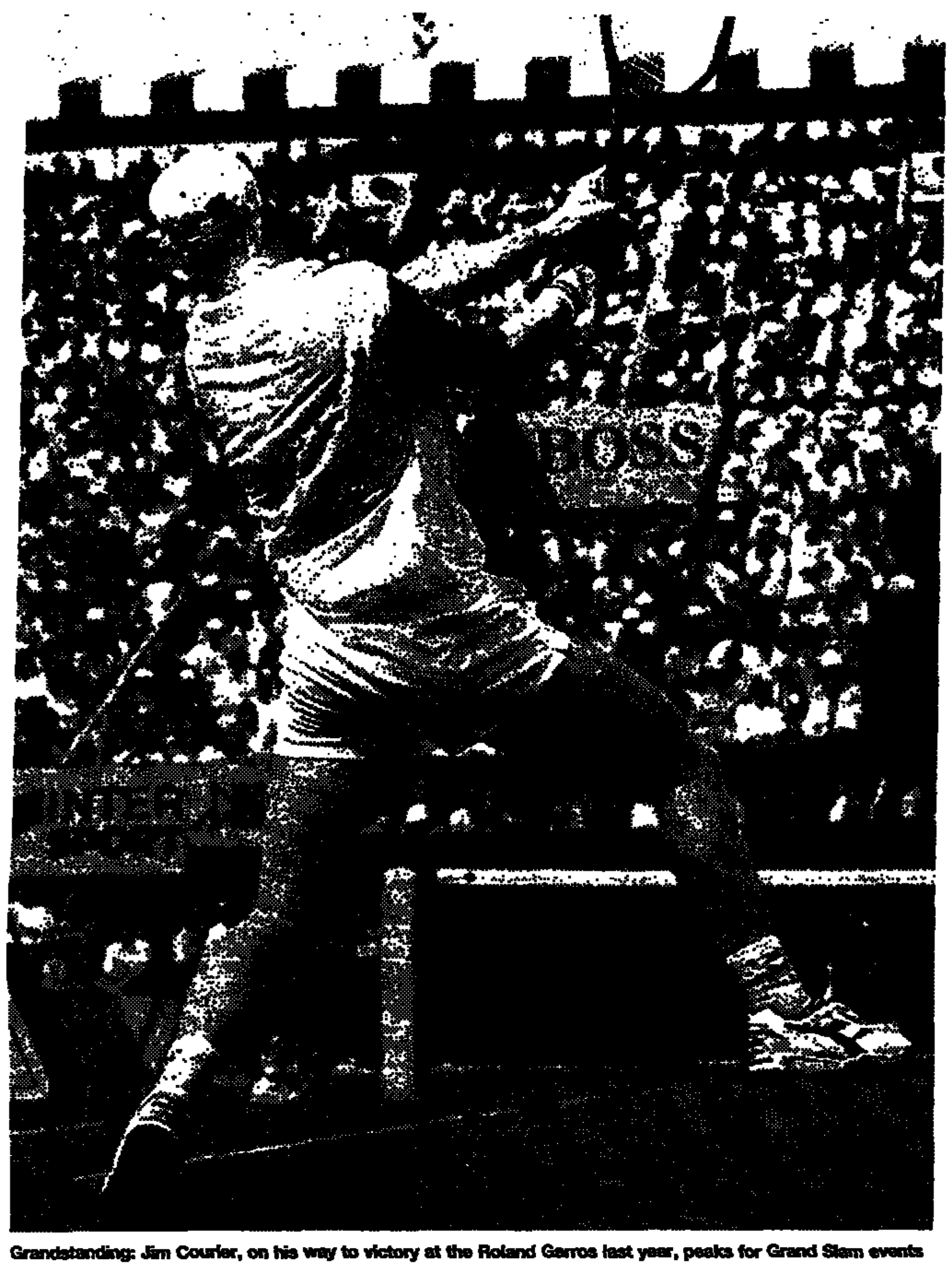
Sabatini looked fit and eager when I saw her in Marbella on Wednesday training with her new coach Dennis Ralston. She is determined to make a strong bid for the No 1 spot.

However, I believe the title might go to Arantxa Sanchez-Vicario, the youngest winner when she beat Graf in a memorable final in 1989. The ebullient Spaniard is having the most consistent year of her career with four titles already and has taken on Sabatini's coach Carlos Kirmayr. He has helped Arantxa to relax in her matches – tension has always been her weakness – but what would you expect from a man who once ran a band called The Fleabags!

Seedings in draw order and possible last 16 pairings

Men: Sampras (1) v Malivai Washington (16); Sergi Bruguera (10), v Lendl (7); Edberg (3) v Wayne Ferreira (14); Medvedev (11) v Korda (6), Ivanisevic (5) v Richard Krajicek (12); Karel Novacek (13) v Becker (4); Chang (8) v Michael Stich (9); Thomas Muster (15) v Courier (2).

Women: Graf (1) v Sabine Hack (15), Mary Pierce (12) v Capriati (6), Conchita Martinez (4) v Nathalie Tauziat (13), Magdalena Maleeva (9) v Anke Huber (8), Mary-Joe Fernandez (5) v Manuela Maleeva-Fragniere (10), Katerina Maleeva (14) v Sabatini (3), Jana Novotna (7) v Amanda Coetzer (11), Kimiko Date (16) v Sanchez-Vicario (2).



Grandstanding: Jim Courier, on his way to victory at the Roland Garros last year, peaks for Grand Slam events

Tennis: the Business

Man who keeps an eye on net profits

***Keith Wheatley** meets administrator Brian Tobin*

BRIAN Tobin shakes his head over Wimbledon. As president of the International Tennis Federation this Australian-born former banker heads an organisation that oversees the most efficient dollar-generating sport in the world. Sponsorship, massive TV revenues and player endorsements have turned tennis into a huge global business.

And then there is Wimbledon, still the private ivy-clad members' club in the leafy suburbs of south-west London. Playing on *grass* for heaven's sake, instructing the world's superstar players to substitute their "billboard" kit for the traditional predominantly white and still unsponsored – not counting the discreet little Rolex clock on each court.

"Every year I used to bring John Elliot for a day at Wimbledon, when he was head of Carlton Breweries and he'd always say: We're going to sponsor this," recalled Tobin. "I've still got a £10 bet with him that it will never be the Fosters championship but I don't suppose I'll collect it now."

When Tobin shakes his head over Wimbledon, it is with respectful awe. The two-week All England championship makes a total profit of around £14m. The ITF boss is at heart a traditionalist but as befits a person who started work as a 16-year-old cashier, he also likes to see a strong bottom line. When the two combine it makes him even happier.

Tobin is not unsympathetic to those critics who say that the highly-paid week-in, week-out treadmill of professional tournament tennis is deadened by an excess of cash over personality. "The top players are probably making $250,000 a week, win or lose," he said in his office high above the manicured lawns of London's other tennis shrine, Queen's Club.

"Their style of tennis play is becoming stereotyped by coaches urging them to always go for percentages. The players are becoming robots, not only in their style of play but in their personalities," says Tobin. "The money and the entourage combines to create a player that must win 80 per cent of the time. It doesn't develop flair."

Like many administrators of his generation, Tobin can hardly believe he is looking back to John McEnroe with nostalgia and affection. "When John cuts up badly you find that 20 per cent of the public complain and 80 per cent came back to see his next match," explained Tobin. "You need a mean streak to be a champion but there must also be control.

"Those strong personalities make the game attractive but you also need regard for your fellow human being, which some of the new generation don't have. John Newcombe, Arthur Ashe and Fred Perry had it." Tobin was a player of that generation, if not that ilk. He reached the No 8 singles ranking in Australia and won the hard court doubles title with Lionel Brodie. In the final they beat Lew Hoad and Ken Rosewall.

Yet is it not hypocrisy to criticise the amount of money in the game when the ITF created the biggest purse of all – more than $2m for the winner – with the annual Grand Slam Cup? Tobin is clearly unhappy on this particular spot, saying only that the GSC was created to defend the four Grand slam tournaments at the time of the ATP tour emerging.

"The Grand Slams are over the hump and don't really need the Cup to survive," said Tobin. "It's a five year deal with an option to renew, so whether it continues past 1994 remains to be seen."

The ITF has grown with its sport. It now has nearly 50 employees and an annual budget of $25m. The Davis Cup is the ITF's biggest asset, creating well over half the its annual income through TV rights and sponsorship. It is the biggest annual team sports competition in the world, "dwarfing soccer's World Cup," Tobin adds like a proud parent.

In 1993 a total of 101 countries will compete in Davis Cup and 76 in the womens' equivalent, the Federation Cup, although among individual players there can be considerable problems of motivation and commitment.

"Sanctions don't work against tennis players these days," says Tobin. "It's like kids. You've got to give them incentives all the time. The top players from some countries simply can't be bothered unless you dangle enormous sums in front of them."

The biggest recent boost to tennis was its return to the Olympics in 1984 as a demonstration sport, with full status at Seoul in 1988. A lot of smaller and developing countries, says Tobin, have a policy of only giving government aid to Olympic sports. The ITF had 101 member countries in 1984, now the total is 176.

"Last year we had two 15-year-old girls from Madagascar doing well in Barcelona," says Tobin.

Tobin is puzzled and worried about the increasing dominance of speed and power in professional tennis. "You get all sorts of suggestions. One chap came up with superficially attractive idea of raising the net six inches – until we asked him to consider how many million posts around the world would have to be replaced."

The ITF is amending ball specifications. "We have a harder ball at one end of the scale and a softer one at the other, so on a fast surface you could slow it down with the softer ball," he reasons. "but I think the main area of problem is the racquets but I doubt we can do much about those on the market now.

"The ITF could restrict the materials that could be used from now on but who knows, in 10 years there might be a commercially available material that will build you a racquet hitting the ball 300kph. Sports that try to hold the line against new technologies often end up in trouble."

Motoring

A pedigree Jaguar

***Stuart Marshall** on the lineage of the latest big cat*

YOUNG PEOPLE say Jaguars look old-fashioned. I suppose they are right. The XJ12 is the latest – and will probably go down in motoring history as the greatest – Jaguar saloon. At a glance, you can see that its shape, its character, reflect the ideas of the late Sir William Lyons.

When he founded the marque in the 1930s, he demanded grace, pace and space from his designers. Jaguars were sportily low in build and had wood veneer and leather interiors. They appealed to buyers lacking funds to satisfy a secret craving for a Bentley.

Nothing has really changed. The XJ12, introduced recently after a seemingly endless gestation, is the latest development of the XJ40 model which replaced the 18-year-old XJ6 in 1985. It does not look much different from the XJ6; just a bit sleeker. But, then, there could never have been any doubt that the XJ6 of 1972 had been sired by the Mk II of 1959.

One could go on, but I rest my case. Nothing matters more to Jaguar than family tradition. Whims of fashion are ignored.

A Jaguar with a cherished registration number is as ageless as a Range Rover (born 1970 and changed outwardly only in detail) or a Rolls-Royce. Could the motoring equivalent of the man on a Clapham omnibus tell a 1965 Silver Shadow from a 1993 Silver Spirit II? I would not put money on it.

Undeniably, the XJ12 has grace. And, with a 318 horsepower, six-litre, 12-cylinder engine shoe-horned under the bonnet, more pace than one can possibly exploit in public. Jaguar claims acceleration from 0-60 mph (0-96 kph) in 6.8 seconds (two seconds less than the previous XJ12) and a top speed of 155 mph (250 kph) compared with the old model's 139 mph (224 kph). Who am I to disagree?

More to the point, its mid-range acceleration has been transformed by the six-litre engine's greater pulling power. It leaps in virtual silence from 50 mph to 70 mph (80-113 kph) and 70 mph to 90 mph (113-145 kph) in 3.2 and 4.8 seconds respectively.

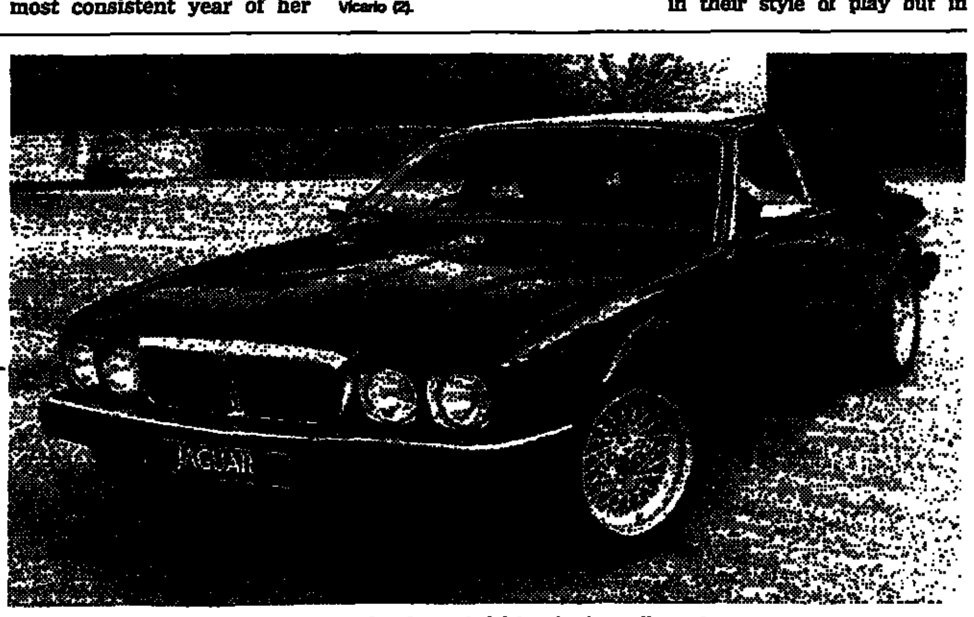
A driver who makes the fullest use of the performance – especially the acceleration – might need to think about refilling the 19-gallon (86-litre) tank soon after covering 200 miles (325 km). Even when accelerating only moderately, I saw the computer's read-out of instant fuel consumption drop to single miles per gallon figures. My test car's 13.4 mpg (21 l/100 km) in town improved steadily to 15 mpg (18.8 l/100 km) on the motorway. Had my journey been longer, 18-19 mpg (15-16 l/100 km) might have been achievable.

In the past, I have found Jaguars driven briskly on country roads to have been soft enough to make passengers feel queasy. Stiffer suspension and lower-profile (55 series) tyres have firmed up the V12's ride most agreeably, yet only a handful of less sporting luxury cars can match its lack of road noise. The steering is light and does not have much feel. Parking is easy - provided you remember the turning circle is more than 40 ft (12.4 metres).

High gearing (nearly 29 mph/47 kph per 1,000 rpm) brings cloistered calm to motorway cruising. The Connolly hide and walnut-veneered interior is in classic English good taste. This ambience is no longer as exclusive as it was; wood trim has become obligatory on posh cars wherever they are made. But, in the Jaguar, it all seems natural and uncontrived.

So, the Jaguar has grace and pace – but what of space? By modern standards, it does not have much. The roof line is low, so the seating position is too. Four people can travel in style in an XJ12, but they had better not try to take a large suitcase apiece. Four weekend bags practically filled the boot; two sets of golf clubs in their trolleys would not go in.

The same six-litre engine and four-speed automatic transmission are now available in the XJ-S coupé at £45,100 for the hard top, £52,900 for the convertible.



Jaguar XJ12. Firmer handling, fiercer acceleration and cloistered calm on the motorway

In the swim with a Tinsel Town look

Dip a toe in the tide of fashion history when you buy this summer's beachwear, says ***Lucia van der Post***

THERE ARE swim suits for serious swimming (Speedo, for example, plain, simple, classic and practical) and then there are swimsuits for posing round pools sipping something long and cool that tinkles nicely – in which case you need all the flattery that the designer can muster.

Ideally the craft of the old-fashioned corsetière should be married to the art of the designer and the technical know-how of the chemist. But, above all, the hallmark of this year's swimsuits is glamour, glamour and yet more glamour. Think Rita Hayworth, Esther Williams, Betty Grable and you will get the idea. Hollywood is the image to go for, forget quiet good taste.

Most of the big designer names have caught the theme. Ruching, sweet-heart necklines, criss-crossed straps, lots of uplift, clever ways with darts, and, of course, such are the wonders of modern fibre technology, fabrics that seem soft and feminine but offer lots of confidence-boosting support. Sweet ginghams, chirpy polka dots, jaunty nautical stripes are the prints. Sugary almond pinks, turquoise, lipstick red and, of course, the perennial glamour colour, black, are the colours to go for.

For those who like established names Amanda Verdan, director of fashion buying at Harvey Nichols of Knightsbridge, London SW1, has collected a clutch of the smartest labels in the business.

Top of the scale for chic (and price – these all start at about £100 a time) are La Perla (but these arrive in November for the start of the cruise season and sell fast), Liza Bruce, Capucine Puerari (lots of under-wiring, back-interest and big on 40s-style glamour). As for Moschino, he is still the cheekiest designer around – this summer's hit is his white one-piece with "Swim Where?" printed in big black letters on the front.

Harvey Nichols is to open a brand new beachwear department in about a fortnight in which all the big designer names will be gathered together but, more usefully, so will everything else the beachbound shopper might require, from a pair of espadrilles and a bathing hat to a capacious beach-bag or a cover-up.

The hottest new designer, is Samantha de Teran, all of 26 and a graduate of Trinity College, Cambridge, and St Martin's School of Art. Almost every chic shop in and out of London has snapped up her range. Her swimsuits are evocative of the old-fashioned bathers of the 1930s. They sport long-line bodies with tiny shorts or flared skirts – much, much more flattering, in my view, than those high-cut swimsuits which were alleged to make the legs look longer but in reality did nothing so much as make them look vulgar.

There are no gimmicks, no florals, no frills or bows, just strikingly simple, almost sculptural, swimsuits in the classy classic colours of cream, navy, olive or black. They are beautifully made using, she wishes you to know, an all-British fabric, a combination of nylon and Lycra, her trade mark is the ladder-back cut-outs at the side, or back or round the neck. What she aims to do, above all, is flatter.

Fenwick of Bond Street, London W1, has the full collection but they are going fast. Most of the designs range between £70 and £100. Other stockists include Way In, Harrods, London SW1; Lisa Stirling of Manchester; La Jolie Madame of Edinburgh and Brown Thomas of Dublin.

More retro-styling comes from Slix which has homed in on the 1950s. Here we have Grace (named after guess who?), scoop-necked, off-the-shoulder, with a matching skirt. Essential accessories to complete the look are, of course, the sunglasses and the chiffon scarf.

More nostalgia in the world of swimwear comes with the news that Jansen, that old staple of school swimming teams, is these days ultra-chic. This will not be news to readers of *Hello!* magazine. In January they were treated to endless photographs of the Princess of Wales diving into the Caribbean in one Jansen outfit after another.

Being just 5 ft 2 ins myself I have trouble empathising with the problems of the willowy set. However it seems being tall is amazingly difficult – quite apart from lining-up with men-friends (eye contact, I gather, is tricky though as one who is very used to talking to armpits this seems a small price to pay for long limbs) finding shoes and swimwear to fit seems to present real difficulties.

Long Tall Sally, which, as its name implies, has long addressed the particular needs of the tall set, has a selection of six swimsuits all of which are cut to fit those with long bodies – which is not always just the very tall, some shorter women have disproportionately long bodies.

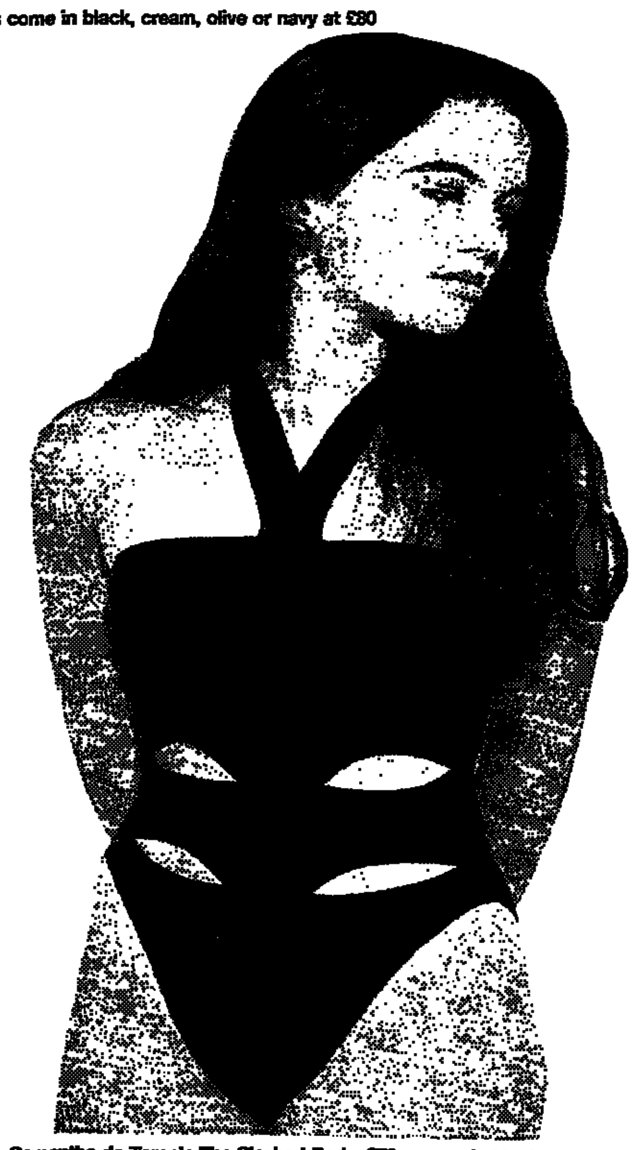
The range is well-priced ranging from £16.95 to £29.95. They fit sizes 12-20 and both the body and straps have been lengthened to suit the taller frame. The best of the collection, in my view, are the black ruched one-piece (£29.95) – very 1950s, with its sweetheart neckline and ruching down the body – and the black or turquoise bubble one-piece (£19.95).

All the Long Tall Sally Shops sell them but they are also available by mail order – telephone 0604-494349 for a free mail order brochure.

Grace by Slix: swimsuit is £42.50, matching skirt with buckle is £37.50

Slix one-piece suit (£59.50) and matching skirt (£47.50)

Samantha de Teran's Wired Culottes come in black, cream, olive or navy at £80



Samantha de Teran's The Slashed Body, £70, comes in black, cream, olive or navy

A silver beaker, decorated with marine motifs in richly-coloured cloisonné enamel work by Fred Rich: £3,100.

Glittering art of patronage

GARRARD, the Crown Jewellers, has decided to celebrate 150 years of being jewellers to the royals in some style.

The theme it has chosen for its anniversary exhibition is one dear to my heart – the vital importance of new patrons if designers are to flourish – and to illustrate it it looks back historically to the connection between design and patronage throughout the 20th century.

Part of the exhibition looks back on what has happened in the past, showing the work of eminent designers such as Reginald Gleadowe, (one of the first designers to explore ideas for pass-producing fine silver); Harold Stabler (who revived the use of enamel as decoration); George Kruger Gray (who designed the coinage of more than a dozen countries); Leslie Durbin (who worked on the sword which Churchill presented to Stalin in 1943) and Alex Styles (who designed and made a stunning tea and coffee set which was presented to The Prince of Wales by the people of Caernarvon on the occasion of his investiture as Prince of Wales).

There are pieces, too, by Charles Sykes, the creator of "The Spirit of Ecstasy" which is found perched on the top of the radiator of every Rolls-Royce.

Some of the work looks as fresh as if it had been designed yesterday. A E Harvey's sculpturally simple vase has that timeless look that is the mark of all fine design while Gleadowe's more flowing, curving lines and distinctive fluting show that when it comes to pleasing the eye there are no rules.

Though the past work is fascinating to look at Garrard's wanted to make sure that the exhibition was not just an exercise in nostalgia and self-congratulation, but an inspiration to patrons. For this reason there is a big selection of silverware from distinguished contemporary designers all of which is for sale.

The pieces range from a pair of stunning fluted silver beakers by Ian Calvert (£500 each) and the condiment set (photographed below) (£750) to pieces costing thousands. But besides the diversity of objects – small pocks or photograph frames, wine coolers, goblets and jugs to a pair of five foot high silver gilt ginger jars – what is most fascinating for the potential patron is the wide range of talent on show.

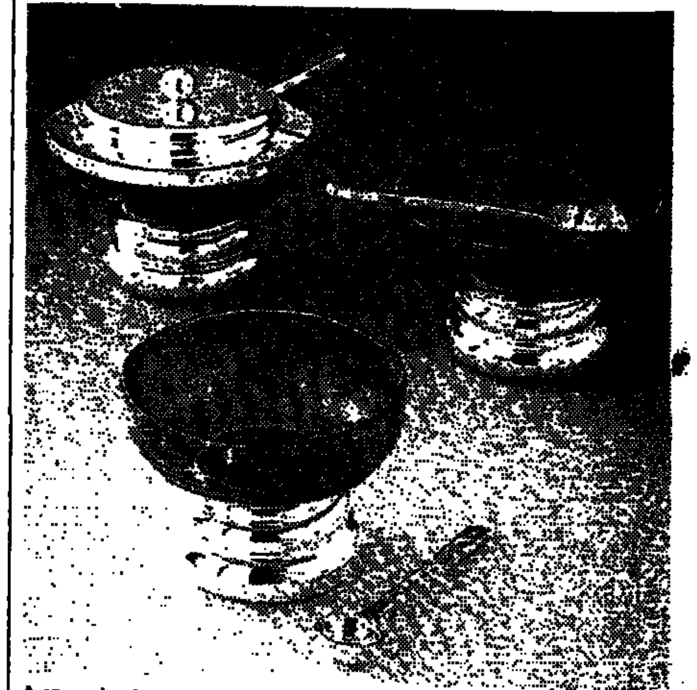
The work ranges from the rich enamelling of Fred Rich to the more streamlined elegance of Robert May.

As Garrard points out, new designers need new patrons – if they do not have patrons they will not survive. Much the most important aim of the exhibition is to encourage individuals to think of themselves as patrons. Many people who easily spend £500 to £1,000 on designer suits or mass-produced objects could rewardingly spend the same sort of money on a hand-crafted object of great beauty.

Many of the pieces are priced between £1,000 and £2,000. Many of us have occasions when we want to give presents that are beautiful, one-off and personal – here is a chance to find the designer that could bring your vision to life.

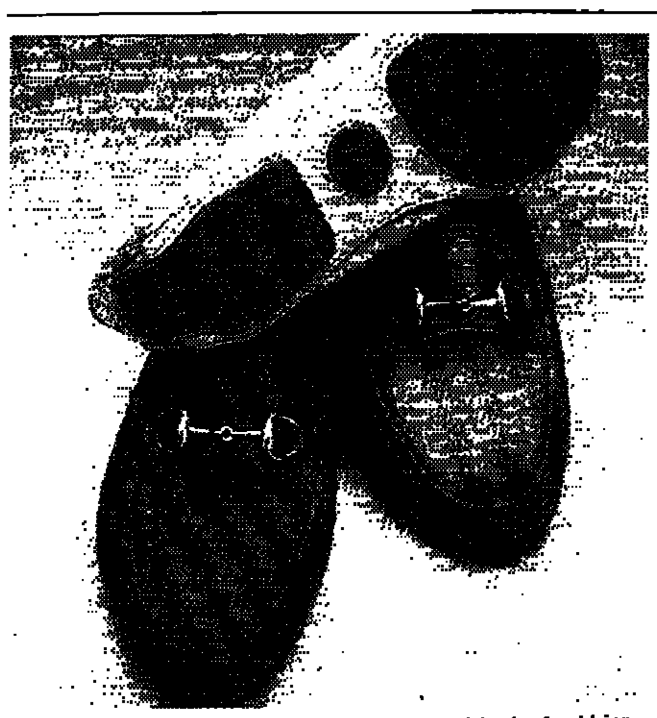
The exhibition is on until June 5 at Garrard, 112 Regent Street, London W1A 2JJ.

L v d P



A spun circular silver condiment set with green glass liners, designed by Padgham and Putland, £750.

Loafing in your car



Shoes for the fast set: these Gucci loafers have special soles for driving

THERE are those for whom Gucci is still the cobbler par excellence. For them Gucci in London has just received stocks of what it calls "the ultimate soft shoe for summer shuffling" – the shoe for chaps to wear on the beach, in the jeep, for loafing around and above all for driving. It looks much like a classic Gucci moccasin, with the distinctive snaffle bar, but the soft stitched leather sole is reinforced with rubber on the ball of the foot and the heel so that it does not slip on the brake or accelerator. The shoes are tan with black soles or black with tan soles and cost £100 a pair. Gucci shops are at 32-33 Old Bond Street, London W1X and 17-18 Sloane Street, London SW1.

■ ■ ■

Malcolm Levene of 13-15 Chiltern Street, London W1 runs one of those small personalised shops that customers, once they find it, tend to go back to again and again. He is adept at helping chaps put a look together, whether for work or play, and he clothes some of the snappiest dressers around. In the course of trying to keep his customers well-dressed he has discovered that there is a gap between the traditional bespoke service and straight ready-to-wear.

"Many of the men who come in are not standard sizes but they don't have the patience or want to pay the prices for a complete bespoke service," he said.

He has therefore developed a customised service. It works like this – if you fall in love with a suit or jacket but find there isn't one that fits you perfectly, you can order the same style in any of the fabrics on offer (there is masses of choice) and in your own size. Three weeks later the garment is ready, though occasionally a few extra adjustments, such as shortening trousers or sleeves may be necessary. The price for this extra service is just 10 per cent to 15 per cent more than the standard retail price which means suits on average work out at just under £500, jackets or blazers at about £325.

■ ■ ■

The City & Guilds of London Art School in Kennington, south London will hold its Graduate Diploma Show on July 2-5. It offers a chance not just to buy a wide selection of decorative objects, all the work of graduating students, but also to spot budding talent. Almost all the students are eager to take on commissions so if you have something to celebrate this could be a splendid way of finding something original. Objects include tables, screens, wall hangings, doors and mirrors to bowls, lacquer and metal work, cabinets, paintings and sculpture.

L v d P

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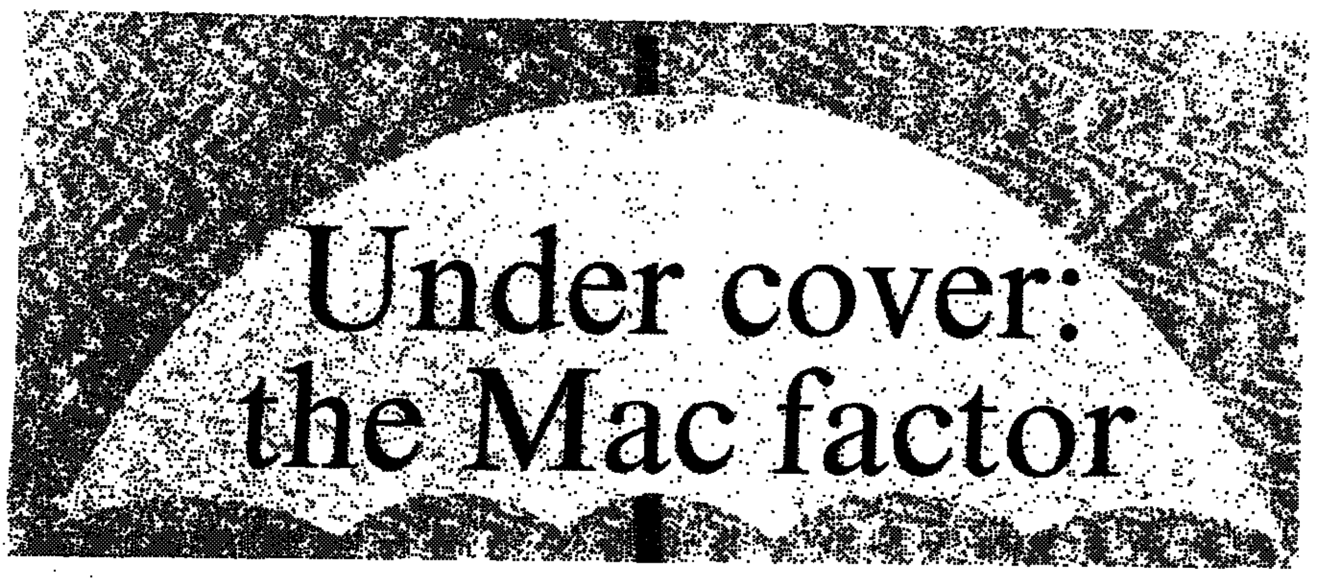
Raincoats add character to a wardrobe, says **Chris Brown.** So where do you shop if you want to put something away for a rainy day?



Under cover: the Mac factor

OF ALL the clothes in a man's wardrobe it is perhaps the old raincoat that has the most character, loved like a friend, there when needed to protect from the vicissitudes of the English weather.

Even when it is too old to be worn in polite society it can be relegated to the hallstand – raincoats are rarely thrown away – ready to offer itself to anyone needing to venture out when grey clouds threaten and dogs need to be walked or roses pruned. The pockets usually hide some old treasure – a sweet paper, a foreign coin, last year's withered conker.

Raincoats are the ultimate "investment clothing", but wearing one in town was once considered ungentlemanly – a gentleman had no need of a raincoat as there was always an obliging manservant to hold an umbrella as he walked from club or home to cab or carriage.

When the time comes to send your raincoat to the jumble sale, where do you go to find a new one and what do you look for? Obviously it should be at least showerproof, perhaps even fully waterproof, and lightweight – remember that temperatures often rise during rain. Choose one that covers the knees for, although knee-length raincoats have a certain style, damp knees do not.

Most raincoats are cut with a Raglan sleeve making them easy to put on over a suit. A Raglan sleeve is one that goes over the shoulder in one piece joining the coat at the collar seam.

There is no lack of choice and if you want to be overwhelmed by variety (and choice) then visit Harrods, where you will find both the classics and the fashionable, including some in unusual colours by Hugo Boss: viridian, red, bright blue and a dullish lime green.

If you want to choose from a narrower range head straight for the classics and visit either Burberry or Aquascutum. They both produce quality coats, retaining the best of the old but introducing new styles, colours and fabrics. Aquascutum's Nelson raincoat, available in beige, navy and light brown, is near perfection. The only flaw is the collar, which I would prefer slightly smaller. Another classic is the Felton Broc at £575. If your budget does not run to that then visit Marks & Spencer for a reasonably priced alternative, which lacks none of the style or detailing of more expensive clothes.

There is no reason why fashionable raincoats should be any less showerproof than their classic counterpart and if you are given any lame excuses such as: "It's a fashion item" then my advice is to put your credit card back in its wallet and leave the store!

Emporio Armani's grey proof raincoat seems more than capable of withstanding any sudden downpour and Issey Miyake's at £365 (available at Issey Miyake and Liberty) makes a perfect coat to travel with as it is so lightweight.

Dries Van Noten, a Belgian designer, is one of the chosen at Joseph, his linen-coated off-white raincoat, though perhaps not entirely practical for commuting, will certainly make you the most stylish man in a spring shower.

No gentleman should be without an umbrella, although I am always suspicious of the owners of collapsible ones, who self-righteously produce them from a brief case during an unexpected shower while you get drenched.

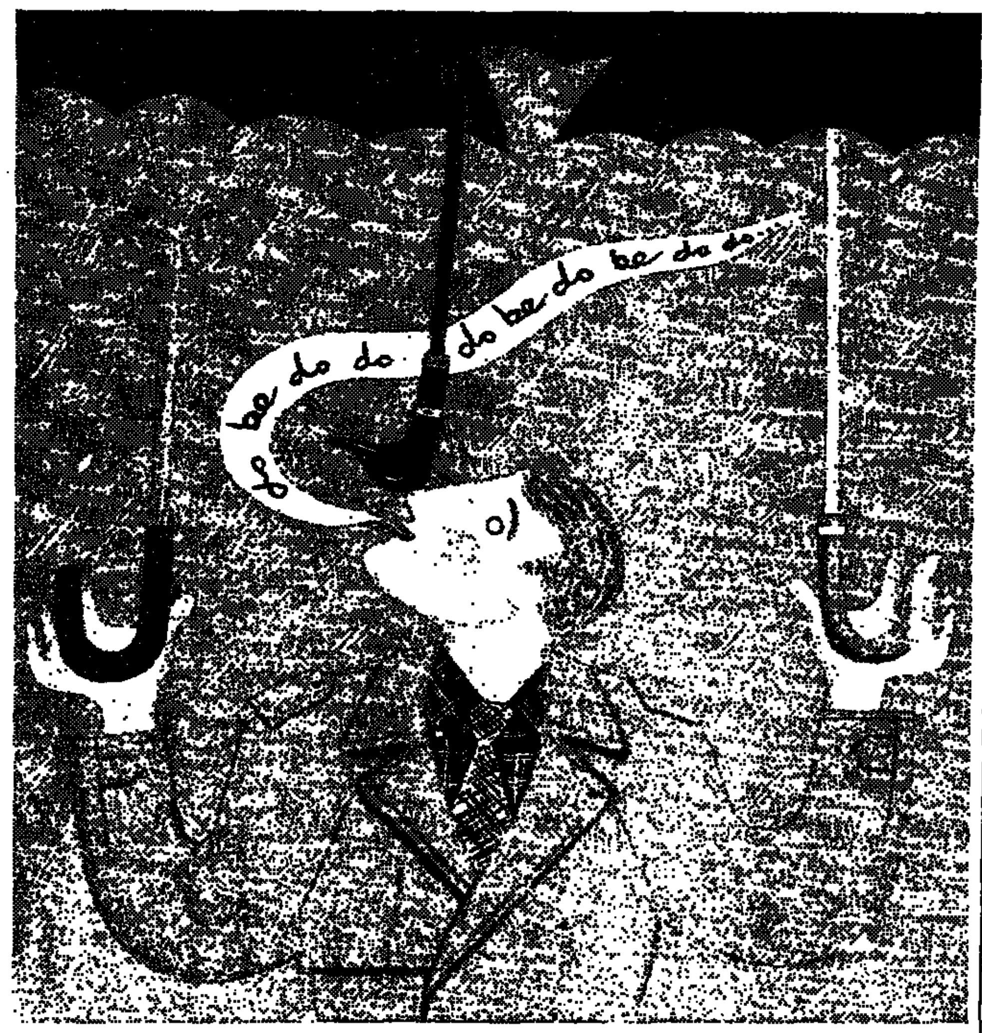
You can buy an umbrella almost anywhere but why bother when you could buy from James Smith, one of the most glorious shops in London. It was founded in the 1830s and is still family-owned. It has preserved the past yet it serves the present.

There seem to be scores of umbrellas to choose from and the charming staff are only too willing to help you find the umbrella to suit your needs.

Dry and chic (above left): Unlined off-white raincoat in 62 per cent linen, 33 per cent nylon, 5 per cent resin, £385, "donkey" waistcoat 100 per cent wool, £210; 100 per cent linen brown shirt, £149 and trousers, £155 all by Dries van Noten and available from Joseph, 21, Sloane Street, London SW1 and Brompton Road, London SW3.
Grey raincoat in 65 per cent cotton, 35 per cent spandex, £350; pale green 100 per cent cotton shirt, £69; pure silk tie, £40 and off-white umbrella with logo, £59, all from Emporio Armani, 191 Brompton Road, London SW3 and 57/59 Long Acre, London WC2.

Classic look: above (left) Navy Boston, £380, wool tie, £19.50; wool cap, £27.50 and navy Burbrolly, £105. All from Burberry, 18-22 Haymarket, London W1. Pure linen white shirt, £25 from Marks & Spencer.

And (right) Nelson natural raincoat, £395; umbrella, £85; trousers, £115; silk tie, £35. All from Aquascutum, 100 Regent Street, London W1. White cotton shirt, £69, from Emporio Armani.



Olive raincoat in 65 per cent polyester, 35 per cent cotton, £99; blue and white check cotton shirt, £19.99 and silk blue and white check tie, £14.99; all from Marks & Spencer. Umbrellas by James Smith, 53 New Oxford Street, London WC1: green serge cover, plaited leather handle, £95; handmade, black cover, duck's head handle, £85; handmade shepherd's crook stick with silver band, green cover, £100.
All drawings: Chris Brown

Fashion workshop dates

ALL THE many readers who wrote and sent cheques to come along to our Browns/FT Fashion Workshop might like to know that the response was huge – so big in fact that we will be holding another, exactly one week later, on the evening of Tuesday June 15.

The first 50 readers whose letters hit my desk on Monday morning will be sent tickets for the evening of June 8. The next 50 will be invited to the workshop on the following Tuesday. Those who cannot make that date will have their cheques returned – except in the case of those many generous readers who attached sweet notes saying that whether they were successful or not the Leukaemia Research Fund could have the money.

We are sorry that we will have to disappoint some of you but those who missed out this time might like to know that we will keep a note of their names and addresses and they will be the first to be invited to an autumn workshop.

If you want to join the *FT* Safari "Among the Elephants" going to Kenya and Tanzania with Iain and Oria Douglas-Hamilton you still have another week to apply. Already letters and cheques are arriving daily but I promised last week that I would allow a full fortnight before I did the draw in order that readers abroad should not be disadvantaged.

To recap: The safari runs from September 3 to September 20, it takes in trips to the major elephant areas such as Lake Manyara, Tsavo East National Park and the borders of the Tarangire River. There ought to be a chance to witness the wildebeest migration which normally takes place at this time of year and three days will be spent in the Mahale Mountains on the eastern shores of Lake Tanganyika where Roland Purcell, one of the world's leading experts on primate behaviour, will accompany you to see the largest known group of chimpanzees in the world.

The safari ends with three days in the Douglas-Hamilton's own home on the shores of Lake Naivasha. The price is £5,499 per person and to secure a firm place a deposit of £1,000 (made out to African Explorations, which has orchestrated the safari, but sent to me here at the *Weekend FT*, 3rd Floor South, No 1 Southwark Bridge, London SE1 9 HL) is required.

Lucia van der Post

TRAVEL FOCUS: TOURING EUROPE

JUST WHEN you thought it was safe to go under the water – through the Channel tunnel to France, that is – Jodie Foster has bitten back. The American film actress is said to be starring in a forthcoming tunnel disaster movie which will depict teeth-clenching scenes of terror and torment beneath the murky water. Eurotunnel is understandably miffed.

But ferry companies, even before this Hollywood godsend, were already busy fending off the tunnel's potential challenge with faster and spruced-up services. Prices, too, have been sharpened. Such scrapping for market share has generally spelt good news for the Channel-hopping motorist.

"If you go back 10 years," says Ian Todd, head of information at P&O European Ferries, "crossing the Channel was something to be endured rather than enjoyed." But in the past few years, P&O has invested £400m – in its Dover operations alone – on new ships, staff training and computer ticketing. Its competitors have done likewise.

The jumbo ferries born of such investment are a far cry from the dowdy ships of yesteryear. They boast silver-service restaurants (as well as cafeterias), video lounges, children's play areas and duty-free shopping "malls" large enough to swallow your entire holiday allowance before your tyres hit the Paris *périphérique*.

Some have club lounges which, for an extra £5 or so, offer steward service, fax machines, complimentary refreshments and newspapers.

Ferries are also straining to compete with the tunnel for speed. On the Dover-Calais route, companies claim a motorway-to-motorway time of 100 minutes, compared with Eurotunnel's projected 60 minutes. Check-in times have been cut – from an hour to 20 minutes – largely through computerised ticketing. Improved operations at Dover harbour and relaxation of customs checks have also helped.

P&O hopes to save further time with the introduction of cameras and computer-readable labels attached to car windscreens. These will enable vehicles to drive straight on to ferries without queuing.

From Dover, P&O runs ferries every 45 minutes, and Stena Sealink hourly – a shuttle service designed to compete with Eurotunnel's planned four departures an hour.

From June 21, when SeaCat (55-minute crossings) rejoins Hoverspeed's two Hovercraft (35 minutes) on the Dover-Calais route, there will be a further 18 departures to choose from.

With cross-Channel traffic booming (P&O alone carried 13.2m passengers and 2.2m cars last year), ferry companies are not savaging prices. But, as one company spokesman said of the run-up to the tunnel-ferry face-off: "Although it's not a war yet, the battle lines are being drawn up."

Even at peak season, a standard Dover-Calais return for a car and five passengers can be as little as £135, admittedly at highly unsocial hours. There are often discounted special offers available through newspapers or motoring organisations. Sally Line, which operates from Ramsgate to Dunkerque, is particularly cheap with fares ranging from £59-£234.

Motorists not attempting to beat the tunnel for speed might try the Folkstone-Boulogne Ferry Company which is reviving the Boulogne route recently abandoned by larger rivals. The aim, according to joint managing director Ken Faulkner, is to hark back to the leisurely style and service of a bygone era in an age of what he calls "floating shopping arcades."

The company is spending £250,000 on refurbishing a chartered Isle of Man ferry which will have an "old worldy feel" replete with enclosed teak promenade and lounge chairs. Faulkner promises steward service, free refreshments and live entertainment. Prices are likely to be 15 per cent below those on the Dover-Calais route.

■ Reservations: Brittany Ferries (tel: 0705-827-701); Folkstone-Boulogne Ferry Company (0303-246-880); Hoverspeed (0304-240-241); P&O European Ferries (0304-203-388); Sally Line (0843-595-522); Stena Sealink Line (0233-647-047).

Practical Traveller

Ferry companies sharpen their act

The battle for a share of the cross-Channel travel market is hotting up, says ***David Pilling***

Slow up, and drink at the journey's end

***Stuart Marshall**, the Weekend FT's motoring correspondent, on how to take the wrinkles out of a touring holiday in Europe*

FOR MOST people, touring in Europe starts with driving in France because that is where all the best ferry routes go to. In fact, one doesn't really need to go further than France because it is a super country to tour provided you remember a few simple rules.

The first is to use the autoroute only for getting to the area where you are going to enjoy your driving as well as the scenery, food and drink. Compared with British motorways, French autoroutes – except for the main north-south A1-A6 – are usually so uncrowded you wonder where all the other cars have gone.

It may have something to do with the tolls. They are not cheap, and the network of N and D roads (roughly equivalent to Britain's A and D roads) are an agreeable slower alternative.

Paying tolls to use a motorway comes as a shock to many British drivers accustomed only to the moderate charge made for using the Severn bridge or Dartford tunnel. But most of Europe, except for the Low Countries and Germany, has toll motorways. Switzerland imposes a one-off autoroute charge at the frontier; Germany plans to do so next year. Make the most of them while they are free.

The French autoroute restaurants are good. Try one of the l'Arche chain, but not if several tourist coaches have just decanted their hungry hordes. A thick, steaming slice of baked ham with Madeira sauce and a choice of vegetables in a l'Arche will keep the wolf from the door for hours.

With a bottle of Badoit and coffee, it costs about £8. And an agreeable four-course luncheon with a little wine and waiter service at a French autoroute restaurant near Bourg-en-Bresse a few weeks ago cost under £12.

A word about drink. The French take a relaxed view about having a glass or two (not more) of wine and then continuing your autoroute journey, *although you cannot* have an alcoholic drink at all unless you have a hot meal.

But do not even think about going over the top. The penalties for drink driving all over Europe are, quite properly, at least as severe as they are in Britain. Anyway, the best time for serious eating and drinking is at the end of the day, not in the middle of it.

Germany's autobahnen are still free of a speed limit though a 130 kph (81 mph) maximum is recommended. That is the legal limit on French autoroutes. It is lower in other European countries – as low as 90 kph in Norway. Do not be tempted by a lightly-trafficked motorway (unless it be an autobahn) to put your foot down and see what the car will do. Getting nicked for speeding in Europe is more expensive than in Britain and can be time consuming.

In France the drill, according to people who have been caught, goes like this. You are radar-ed, stopped, automatically breathalysed and then taken to one of those police vans that look like corrugated iron chicken-houses.

You are questioned at length ("and where was your maternal grandmother born, monsieur?") by a policeman who bangs it all down slowly with two fingers on an antique typewriter. This takes at least half-an-hour, more if you are one of several offenders. Then you are relieved of anything up to £100 in cash.

Credit cards will not do nicely for French speeding penalties, though they will for autoroute tolls and virtually everything else in France. If you are going to speed, keep a wad of money under the carpet. You will need it.

Should you be speeding on a continental motorway or normal road and drivers coming toward you flash their lights, lift your foot off the pedal at once. There are police about. Off the motorways, most speed traps are where you enter or leave towns and villages or on narrow, straight country roads.

But why speed at all? You are on a touring holiday. Slow down. The idea is for you and your passengers to have a nice, relaxing time.

Germany built its first autobahns before the first world war, and some are still in use, like the awful two-lane stretch going east from Aachen toward Cologne. It became so crowded that a 100 kph limit was imposed.

Some of Italy's oldest autostrade are not much better. Now, more than 30 years on, almost the only popular touring area in France without an autoroute pointing at its heart is the Dordogne. And, unless you are heading for Paris, you no longer have to face its dreaded *boulevard périphérique*. This mini-M25 is inhabited by demented drivers and even madder motor-cyclists.

Avoid it by going east from Calais – the best point of entry from the UK by P&O or Stena Sealink super-ferry from Dover – on the A26 autoroute.

Starting at Calais docks, the A26 opens the door to eastern and southern France and beyond. At Reims, an easy two-and-a-half hours from Calais, you can continue to Metz and southern Germany or head south for Troyes and Dijon.

From Macon (about an hour further on from Dijon) there are autoroute branches to Geneva and Italy. Continue south from Macon and you bypass Lyon *en route* for the Mediterranean coast.

Credit cards will not do nicely for French speeding penalties

For a great touring holiday, there is no need to go further than France It is a big and thinly populated country in which you can find every kind of scenery as well as the best in wines and food. Leave the main N-roads and follow the D-roads – the most important ones are marked in yellow, the lesser ones in white – in Michelin's invaluable large-scale motoring atlas of France. You will have the freedom of a countryside little touched by time, where the villages are not filling up with retired townies making trouble with the locals about their cocks crowing, cows lowing and pigs smelling.

Where to stay? I would not think of leaving home for France without my *Michelin Red Guide*, which is worth its £12.50 for the town plans, let alone the restaurants and hotels. *Michelin* is for referring to, while *French Leave Encore* by Richard Binns (£9.99) is good bedside reading – an idiosyncratic treatise on the habits, food, drink and sights of rural France as well as a useful source of places in which to stay and eat.

A final thought. A car that packs up on the other side of the Channel can make one feel totally helpless. If yours is coming up for a service, get it done before you go. Remember that an insurance Green Card is still needed for full accident cover. Think, too, about subscribing to a breakdown recovery scheme like those run by the AA and RAC, Mondial, Europ-Assistance and similar organisations with English-speaking helplines. It is much easier than trying to explain to a garageman in fractured French or non-existent German that you heard this funny noise and suddenly the car would not go any more.

TRAVEL FOCUS: TOURING EUROPE

Much of East Berlin – it takes years to recover from socialism – is still a place of monochrome rhythms and urban anomie. Returning to West Berlin is like blinking into the sun after hours in a mineshaft

Tony Andrews

Berlin: a city of the fourth dimension

Nigel Andrews advises a walk along the Ku'damm to let the wind ruffle your hair and your sense of history

"Do you know the works of modern German philosophy?"

"Er, only in English."

"Well, there it is all explained, *ja?* You understand?"

WELL, SORT of. The taxi-driver was talking to me about metaphysics on the way from Tegel Airport. He seemed to be driving all over Berlin – I had to keep saying "left!", "right!" or "mind that child!" – and he was propounding this strange theory. It was that Berlin is not a place but an agglomeration of times. For four decades, he explained, Berlin was a western European city in an eastern European country.

Since this is manifestly impossible (he argued), the place cannot exist as a three-dimensional geographical reality. Therefore, Berlin must live in the fourth dimension where time alone is relevant.

I suspect he is right. Many people to whom I mention this argument are unconvinced. But they have not seen what I have seen: a wall known to be impregnable having holes punched in it by history, through which East German guards poked friendly faces back in February 1990; a city full of clocks that failed to keep time because eastern-western electricity systems could not mesh (February 1993). And a town centre – we speak of what used to be West Berlin – that mixes time-zones with ingenious perversity.

Let us sketch this city centre, since it is one of the most chaotically splendid in Europe. In recent years West Berlin has been upstaged as a curiosity-zone by the previously cloaked mysteries of East Berlin. But – awful truth – once the cloak is off, East Berlin stands revealed as a fairly charisma-free place: a social and visual wasteland only beginning to recover from decades of institutionalised deprivation.

West Berlin has a wild charm and a concertina'd sense of history. The centre is its masterpiece and deserves a 360-degree pan. Over there is the famous Berlin Zoo, with its Japanese archway and frieze-adorned aquarium wall fronting the street. Inside, animals from the dawn of time disport. My favourite view – as a longtime Berlin visitor for the annual film festival – is from the Festival Centre windows, which abut the zoo: crows caw and wheel while rude-bottomed Barbary apes gambol over frosty black rocks.

Opposite the atavistic is the (almost) modern. The EuropaCenter is a once state-of-the-art shopping mall topped by a slow-twirling Mercedes sign and boasting, among other things, a terraced jungly café, a rooftop observation platform, a medley of glossy eateries and a towering water clock. In this still chic labyrinth the primitive and modern jostle in a pleasant consumerist frenzy.

Then, plonk in the centre of the city's centre, as if pulled both ways by the epochal tug of war around it, is the Gedachtniskirche (Memorial Church). One blasted, blackened Gothic spire stands next to a tall, boxy tower like an overgrown stereo speaker. This architectural ensemble symbolises the old Berlin that survived Hitler jostling with the new Berlin that raises one mellifluously defiant finger to his horrid ghost.

At least I think that is what it symbolises. But here is West Berlin's appeal. You are given the riot of raw data, the conflicting slices of time, and *you* decide what it all means. Take the famous Kurfurstendamm, which spokes out mile on mile from the centre. Here you may sink mental dating equipment into time's strata by merely looking at the buildings and people.

In the hotels and apartment buildings a Teutonic modernism wrestles with rare glimpses of the unbombed old. Architecturally, Berlin is the face that launched a thousand lifts: tiny bits of the old cáfés, theatres and movie-houses grin through the cosmetic surgery. And note the success with which styles collide. The giant Wertheim department store, for instance, a galleon of ribbed glass, jostles serenely with the oldy-worldy quaintness of the Café Mohring.

In the people, the war of competing *zeitgeists* is more beguiling still. The old lady with the fur coat and powdered cheekbones obviously lived through the days of Dietrich. She is heading straight for Kranzler's and a cup of chocolate with a *sachertorte*. The old man with the monocle, cane and military tread may have fought for Hitler but now prefers to be associated with the earlier Prussian heyday. Back then everyone looked like Fritz Lang and could have had their portraits painted by Georg Grosz.

Then there are the middle-aged Berliners, careworn and self-effacing. These men and women avoid your glances. They are the People Without A History, the baby boomers born into the spiritual bust that was post-war Germany.

Finally, there are the young. Here is the most curious collision of all between time-zones. The young in West Berlin used to be a paradigm of the world's student population. Drawn to the city as a haven from the military draft, they were prosperous youngsters dressing down to be radical. Long shabby hair, long shabby coats, long shabby faces. Radical chic was the tribute paid by capitalism, which had the freedom to play charades, to Marxism, which didn't. Then, after the Wall fell in November 1989, in rushed all the young East Berliners who were genuinely poor and wore *authentically* shabby coats, hair, faces, etc. The young Westerners took one look, realised the game was up and began dressing according to their incomes.

Since there is mostly one-way traffic today – day-tripping Berliners come from East to West rather than *vice versa* – East Berlin has little of this sense of multiple reality. You should visit the statutory landmarks, which at least prove that the East has been through some of the same mainline stations of progress and crisis as the West.

The Brandenburg Gate, with its chariot of destiny riding a slice of neo-classical wedding cake; Unter Den Linden, slowly returning to consumerist frenzy; the Fernsehturm (TV Tower), with its revolving observation platform and its look of a giant needle that has swallowed a sputnik.

But much of East Berlin – it takes years to recover from socialism – is still a place of monochrome rhythms and urban anomie. Compare its centre, Alexanderplatz, with that of West Berlin: dull, concrete vastness; robot-spirited shoppers, and nearby a park, Marx-Engels Forum, whose mathematical symmetries chill the soul. Karl and Friedrich themselves are present, cast in bronze. Sensing that they are due for historical melt-down, they stand dead still as if to avoid detection.

Returning to West Berlin is like blinking into the sun after hours in a mineshaft. You do not need to visit museums or galleries here to know the difference in cultural richness and traditions of freedom. All you need do is walk along a busy street.

Make randomness your style. Go out of your hotel – I recommend, according to your purse, the Am Zoo, the Savoy or (spoil yourself) the Kempinski – and turn left or right. Pass the street busker with his marionette violinist playing great cadenzas from Paganini. Throw an interested look at the man in drag miming to *Aida* as it issues from his ghetto-blaster. Pause by the stall selling communist-surplus Soviet Army caps with hammer-and-sickle badges. Buy a cholesterol-intensive *bockwurst mit brotchen* – sausage with roll – at the street-corner Imbiss snack van. (In the evening you will eat at Florians, home of the New German cuisine, or more informally at the charming all-wooden Zum Dortmunder, which resembles a Bavarian hunting lodge with gamey food to match).

Then slip your moorings. Walk on down the Ku'damm as time's crosswinds ruffle your hair and your sense of history.

■ *Useful:* Slow Walks in Berlin, *by Michael Leitch (Hodder & Stoughton, £9.99). His previous books, covering slow walks in Barcelona, Paris and London, won the attention of the judges for the Thomas Cook Guide Book Award. The latest offers 22 leisurely yet carefully-planned walks around Berlin, with route guides, maps and much helpful information.*

Just one vaporetto...

Susan Moore discovers the grace and charm of the Veneto

SOME GILDED cages are hard to escape, even in the sultry, seething months of high summer. Could there be a more blissful way to start the day than to be slowly awakened by the rhythmic slop of water against moored gondolas, the cries of *gondolieri* – even the grinding gears of a *vaporetto*? To muffle up in a thick bathrobe and linger over breakfast on a fifth-floor balcony surveying the Grand Canal as it stirs into life in the milky, early morning light?

The idle are amply rewarded by the industry of others. Chugging motorboats, the life-blood of Venice, criss-cross the Grand Canal. A maritime greengrocer pulls in at the jetty below. After perfunctory negotiation, out come boxes of neatly packed pale *verdura*, ranks of gleaming peppers, aubergines, lemons, plums. Look up from this lush bird's-eye view and there are the gigantic snail volutes of the church of Santa Maria della Salute staring you in the eye.

Tempting though it might be to linger, the time has come to do what privileged Venetians have done for half a millennium: exchange their Venetian *palazzo* for a Veneto villa.

The Veneto is the other face of the Most Serene Republic. Mercifully, the hordes who pound Venice ever further into her patient watery grave rarely make time to explore the blue distant landscapes and fortified hill-towns that are depicted in their favourite altarpieces by Lotto and Giovanni Bellini.

Stand in the first-floor salon of the Villa Barbaro at Masèr, now an hour or so's drive from Venice, and you understand the point at once. The villa was built as a summer retreat for two Venetian brothers around 1557-58 by Andrea Palladio. He gave them living quarters in separate wings which meet in a suite of airy reception rooms frescoed by Veronese. With the balcony doors open and the blinds up, light floods in and enlivens every square inch. In contrast, even on the brightest day Venetian palaces seem cavernous and gloomy.

From the balcony, the eye follows the sweep of the formal garden and soars towards the open fields beyond. Veronese extends that landscape indoors, confecting romantic vistas beyond *trompe l'oeil* marble balustrades and rustic scenes reflecting the four seasons.

Allegorical figures celebrate the pleasures of music. Vines garland the ceiling. The mood is light-hearted, the visual puns legion. Dogs peek around make-believe columns. Shoes and a brush seem to lie discarded on a marble ledge. A huntsman and his hounds burst through an imaginary door. A fair gentlewoman in pale silks, her maid and lap-dog, look down from the *faux* balcony above.

At Masèr, the aristocratic and learned Barbaro brothers played (seriously) the gentleman farmer. The rooms behind the long, ochre arcades at the ground-floor level of each wing housed farm equipment, labourers and animals. The farm provided the brothers with welcome additional income but the villa is, first and foremost, a man-made Arcadia, an evocation of an unreal world, informed by an essentially urban, sentimental view of the countryside.

Our *palazzo* in Venice, the stately ocean-linerish Hôtel Bauer Grünwald, had been relinquished for a 16th century villa at Asolo that was once home to Robert and Elizabeth Barrett Browning. As the Hotel Villa Cipriani it is both haven and perfect base for exploring the villas of the Veneto – and Palladian Vicenza – and the small towns that fringe the luxuriant foothills of the Monte Grappa.

Asolo may have become self-conscious about its charm and its famous residents (from the Brownings and Eleanora Duse to Freya Stark), but some 500 years after the Venetian republic ceded it to Caterina Cornaro, Queen of Cyprus, Jerusalem and Armenia – in return for Cyprus – the town retains something of the spirit of her cultivated humanist court.

Miraculously, Lorenzo Lotto's *Madonna in Glory* is still to be found in Asolo's small cathedral. Similarly, Conegliano boasts a fine altarpiece by Cima, Vittorio Veneto an even more impressive Previtali. Castelfranco has even succeeded in hanging on to its Giorgione altarpiece, albeit shown behind bars.

The museum at Bassano del Grappa is crammed with works by generations of the da Ponte family, notably Jacopo, who more or less established the genre of the pastoral landscape. It is an extraordinarily handsome town, graced with a breathtaking site, sharp mountain air, a famous covered bridge designed by Palladio – and equally celebrated *grappa*.

An almost surreal contrast to the gentle, accommodating landscape around Asolo is provided at Possagno where the great neo-classical sculptor Antonio Canova built a *gipsoteca*, or studio, behind his family home and a massive, Doric-columned marble temple that acts both as mausoleum and parish church.

The *gipsoteca* contains the models and plaster casts of nearly all his inventions, some camp, some astoundingly erotic, but most faintly ridiculous to modern sensibilities. In their austerely classical, all-white interior, the life-size icing-sugar heroes, seated matrons and simpering nudes sit like props awaiting curtain-up on a long-unfashionable play.

The region's rolling olive- and cypress-clad hillsides have often been likened to Tuscany. Perhaps that partly explains the English love affair with the Veneto. One crucial distinction is that the food – and the wines – here are far, far better. For foodies with long pockets there is Da Lino at Solighetto. For fungophiles, a short season in September offers seventh heaven, with the local delicacies of *finferli* and *chiodini*, or "little nails."

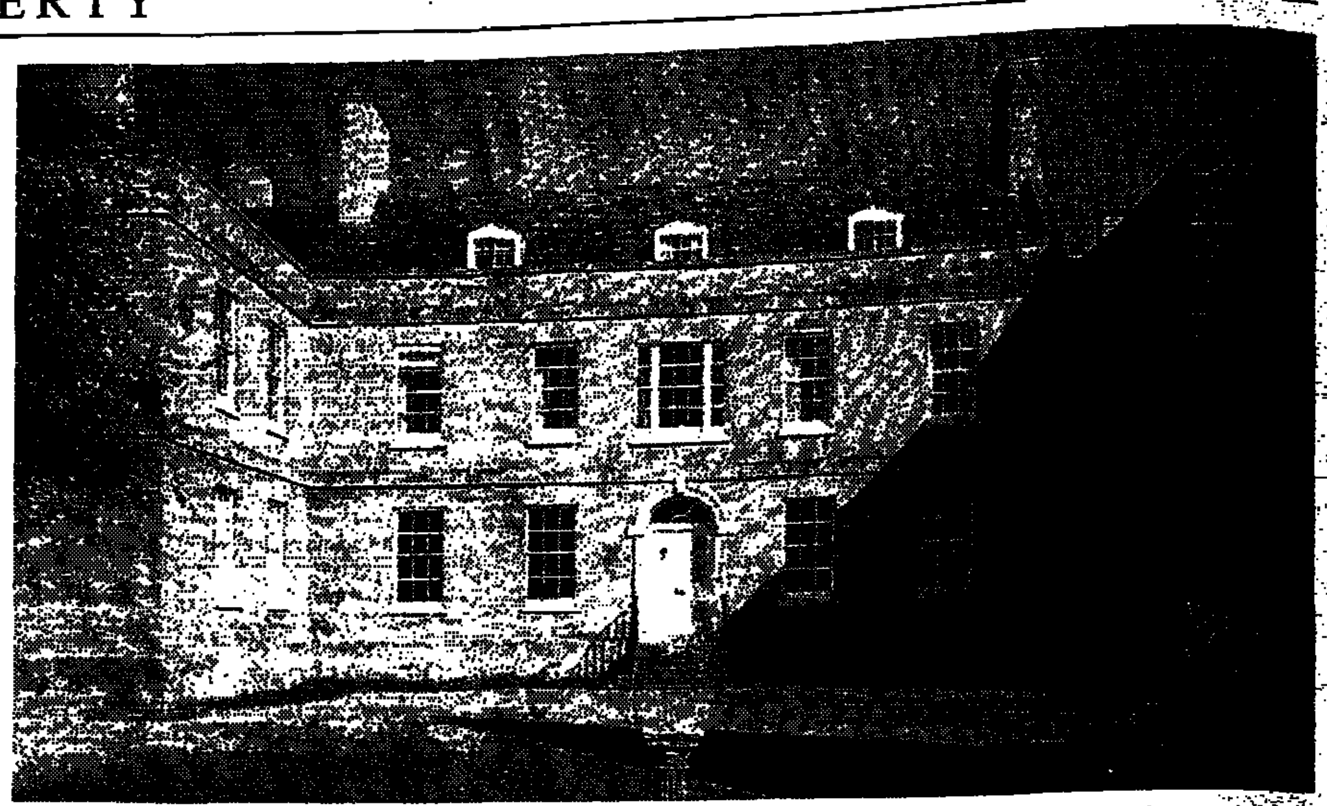
To acclimatise to the idea of returning to the big city, take an hour or two to inspect Treviso. Sample its bitter red chicory, the variegated, wild *radicchio rosso*, and the chapter house of the monastery of San Niccolò where, in his frescoes of 1351, Tommaso da Modena gave us our earliest surviving representation of someone wearing spectacles.

■ Susan Moore *travelled to Venice and returned from Treviso with Italian Escapades, which offers holidays to Italian cities and resorts tailor-made at most price levels. Short breaks in Venice start at £210 per person. Italian Escapades: 227 Shepherds Bush Road, London W6 7AS, tel: 081-748-2661. The Hôtel Bauer Grünwald can be booked through Italian Escapades, or tel: 041-5207022.*

Reservations for the Hotel Villa Cipriani at Asolo (tel: 0432-55444) can be made through the Ciga office in London, tel: 071-930-4147, freephone 0800-289234. A double room costs L300,000 per night, with a special weekend rate of L210,000, including breakfast.

PROPERTY

Above: Yule House, a Grade II building in Oakham, Rutland, where Assizes judges used to stay; on offer for £395,000



Above: Hilton House near Huntingdon, Cambridgeshire, has an underground passage running its whole length; for sale at £500,000

When history palls, there are always pork pies

***Gerald Cadogan** finds plenty to interest potential purchasers in the east Midlands of England*

LINCOLN Cathedral is at the heart of the east Midlands. Its vast bulk dominates the town and its rich variety of stonework recalls that it used to control a great swathe of England, when its diocese stretched from the Humber to the Thames at Oxford. This majestic building from the late 12th and early 13th centuries, conceived on a scale that seems more at home in France, is rare in having had few changes since St Hugh started to rebuild it in 1186. Lincolnshire prospered in the Middle Ages, as its many grand village churches show.

The county's decline reached a trough in the 1930s when some landlords actually paid tenant farmers to continue to work the land. But the second world war changed that. While bombers took off from Lincolnshire's many airfields – the cathedral has a sobering monument to the great number of fliers who never returned – its fertile land showed at last what it could produce. And farming still prospers.

Church crawling is one delight of living in the east Midlands, partly to identify the stones the builders used. Ketton and Clipsham stone were favourites, and Collyweston produces the best roughly-slivered stone tiles. Savills is selling the 17th century, Grade II Manor House in Clipsham for around £325,000.

But Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire are not just for antiquarian aesthetes. Go to Leicestershire to hunt or taste pork pies in Melton Mowbray. Nottingham has its Chinese restaurants and the southern branch of Scotland's Loch Fyne oyster bar. And in Northampton, home of the British shoe industry, outlets near the factories sell "seconds" of the footwear destined for the shops of Jermyn Street in London's West End. The defects are hard to spot and the saving is large.

The price rises for season tickets by train to London have hit commuters who came into south Lincolnshire in the 1980s, attracted by cheap houses. But getting north and south is quick on the M1 and A1 roads, and very quick by train from Peterborough or Grantham.

House prices are around 40 per cent down on the boom years. Nicholas Leeming, of Humberts, suggests the county is turning back on itself. Now that 400-500 people a day – the peak a few years ago – are no longer commuting from Grantham, there are seats on the London trains.

The steady shrinking of the fishing industry has hurt north-east Lincolnshire. Across the Humber, Hull hardly knew there was a 1980s boom in house prices. But, as they scarcely went up, so they have scarcely fallen.

There is a shortage of houses of rectory/farmhouse size (unlike the south of England and the West Country), probably because big landlords still own much of the land. The area of Nottinghamshire known as the Dukeries (parts of Sherwood Forest, of Robin Hood fame, that became ducal property with the enclosures) speaks for itself. Lincolnshire boasts Belvoir Castle and Burghley House – Britain's riposte to Chambord in France – while northern Northamptonshire has Rockingham Castle, Deene Park and Boughton House, the Duke of Buccleuch's French château in the Midlands.

In the medium range, a few more houses are appearing because the diocese of Lincoln is still selling rectories out of church domain – which will qualify for a unique exemption from stamp duty if sold under the Parsonages Measure 1938. Jas Brown has on its books the Rectory at Scotter, between Scunthorpe and Gainsborough, with 1.75 acres for around £175,000 (note, however, that the new rectory will be going up next door); and the Rectory at Woolsthorpe, west of Grantham, with a splendid view over the Vale of Belvoir to Belvoir Castle, for around £225,000. The same firm (and Strutt & Parker) is selling Barkston Grange, five miles from Grantham. This is a farmhouse with outbuildings, swimming pool, tennis court and 4.3 acres for £280,000 – much cheaper than such a property would cost in Gloucestershire. Yet, it is just a few minutes over an hour to London by rail.

For £5,000 less, William H. Brown offers the early-17th century brick Cosby House (but without the barn and stables, although they could be included) in Cosby, a few miles south-west of Leicester and well-placed for the M1 and M69; and, for £105,000 less, Tudor Mews in Cosby, three cottages made into a house of substance.

In Billesdon, between Leicester and Uppingham, Brown offers The Old Greyhound, a converted pub said to stand on the site of a Roman building, for £145,000. The agent, faithful to the new Property Misdescriptions Act, writes that this has not been verified. To do so would mean a dig. A larger country house new on the market shows what good value waits in Lincolnshire. Thorpe Hall at Louth, on the edge of Tennyson's country of the Lincolnshire Wolds, was begun in 1584 for John Bolle, knighted in 1596 for his exploits fighting at Cadiz. In Spain, he fell for a Spanish woman whose ghost, the Green Lady, is said to haunt the house.

In 1906, Gertrude Jekyll planned the gardens and park, so the spirit of romanticism is alive. Savills is selling the house for around £650,000. Apart from its grounds and cottages, you get a study with a stained glass window showing the ballad of "The Spanish Lady's Love for an Englishman," and perpetual rights to sole use of the Thorpe Hall pew in the local church.

Hilton House, near Huntingdon in Cambridgeshire, also has fine gardens and a wealth of topiary, and is on sale for only the second time since it was built in the 18th century – as a Georgian house on the older plan of an E with the middle bar cut out. An underground passage, letting servants go from one end of the house to the other, will be an adventure playground for children. Bidwells offers it for around £500,000.

Usselby Hall, near Market Rasen in Lincolnshire, is a brick Georgian house that belonged to Tennyson's grandfather (from Savills, around £385,000). The firm's Cambridge branch is selling the imposing Edwardian Tudoresque Houghton Manor near Huntingdon, complete with a baronial dining hall. This comfortable pastiche costs around £325,000.

In Oakham, Rutland, the Grade II Yule House is probably the best in town; the judge used to stay there for Assizes. Built in 1700, it has a squash court and listed dovecote; Carter Jonas offers it at £395,000. Two essence-of-rural-England thatched cottages from the same agent are Walnut House in Ufford, near Stamford (£195,000), and Ivy Cottage in Sawtry, near Huntingdon (£125,000). Carter Jonas also has Yew Tree House in Molesworth, near Thrapston, a thatched farmhouse for £230,000. East of Northampton, Jackson-Stops is selling 8 Bell End in Wollaston for just £85,000.

New on the market is Uffington Manor, near Stamford, from Humberts for £250,000-£275,000. With views across the valley to Burghley, the manor is next to the ruined site of the big 1670s house which burnt down at the beginning of this century. Its yew walk is now in the manor garden, as is a dog cemetery where Jockie is buried with the epitaph: "The rich man's guardian, and the poor man's friend; the only creature faithful to the end." Doggerel for toffs.

Also newly for sale is a Grade I manor rich in history near Oundle. Lyveden Old Bield belonged to the family of Sir Thomas Tresham, an eccentric Tudor symbolist who turned Roman Catholic in 1580 and so went straight to the Fleet prison.

When not in jail, he started building the nearby New Bield, with a cruciform design honouring the Cross and Passion. Now a picturesque ruin owned by the National Trust, it is well worth a visit.

So, also, is his Triangular Lodge at Rushton, the family's main seat, which honours the Trinity. Sir Thomas never finished the New Bield as he died in 1605 (as did his son, Francis, in the Tower of London, where he had gone for taking part in the Gunpowder Plot).

The Old Bield, with a guide price of £475,000, comes from Savills in Stamford. But you get only the back stairs for your money; the main staircase went to the United States in the 1920s.

■ *Further information from: Bidwells, Cambridge (0223-841-841); William H. Brown, Oadby (0533-719-671); Carter Jonas, Peterborough (0733-681-00); Humberts, Grantham (0476-608-80); Jackson-Stops, Northampton (0604-329-91); Jas Martin, Lincoln (0522-510-234); Savills, Cambridge (0223-322-955), Lincoln (0522-534-691) and Stamford (0780-662-22); Strutt & Parker, Grantham (0476-658-86).*

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GARDENING – A TASTE OF CHELSEA

Rhubarb: a wonder drug

Rhubarb has found its niche at Chelsea this year, says ***Patricia Morison***

RHUBARB, laxative of kings and terror of school-children, has a stand to itself at this year's Chelsea Flower Show.

"The Story of Rhubarb" is a display mounted by Harlow Carr Botanical Gardens of Harrogate in Yorkshire, headquarters of the Northern Horticultural Society. You will spot the rhubarbs in the virtuous but dowdy educational section of the Grand Marquee.

I like the humble, edible rhubarb, its stature and the way its leaves burst rudely from the earth in spring. I like to eat it, baked in the oven with orange or ginger. But the fascination of the rheum family was only revealed to me by an enthralling book published last year; *Rhubarb, The Wondrous Drug* by Clifford M. Foust (Princeton University Press; 371 pages,£27.50).

Foust chronicles the west's perplexed efforts to get to the bottom of rhubarb – or perhaps one should say, to let rhubarb get to its bottom. In the 1st century AD Dioscorides, father of pharmacology, prescribed dried rhubarb for all manner of conditions, from flatulence to poisonous animal bites. However, to the Romans and to the middle ages, rhubarb (Rha ponticum or Rhabarbarum) was known only as a costly drug brought from the east.

For centuries, European explorers in the Far East and Central Asia sought the True Rhubarb as if it were the holy grail. Only rhubarb was so gently purgative, cleansing the body's evil humours without the violent griping inflicted by senna or hellebore. Elizabethan physicians were so fascinated by rhubarb's properties that they even recommended eating the leaf, which can be highly poisonous.

Even once rhubarbs were growing in Britain, problems were rife. None of the several species produced results comparable to the wonder drug from the east, a cause of consternation and much experimenting by apothecaries and botanists. Meanwhile, the imported species hybridised away, producing varieties which a few people discovered was quite palatable – so long as one could afford the sugar.

The last chapter of Foust's splendid book describes how a few, highly persistent British market gardeners in the early 19th century managed to stimulate a culinary craze for rhubarb which swept the country and even spread to the US and Australia. In 1815, after workmen digging a ditch at Chelsea Physic Garden accidentally buried some rhubarb, the technique was discovered of forcing it for consumption in early spring.

The West Riding of Yorkshire, with its cold winters, high rainfall, the abundant night soil from its cities, and wool shoddy from the mills, became the world's major rhubarb-growing region. It remains so to this day, although nowhere else is particularly interested in disputing the title.

The last two decades have seen commercial rhubarb growing decline everywhere. According to Christopher Margrave, curator of Harlow Carr, only a handful of Yorkshire growers still uses the traditional forcing-sheds. Part of the display will be a mock-up of a forcing shed with a grower harvesting thin pink stalks by candlelight. The aim is to evoke the heyday of West Riding's rhubarb, when the "Rhubarb Special" ran through the dawn to bring Londoners the ingredients for crumbles, tarts and wine.

Even a generation ago, a British or American garden without a rhubarb patch would have been unthinkable. But rhubarb is also under something of a cloud with amateur gardeners. The plant is perhaps almost too easy to grow. In the 1990s, the ambitious amateur gardener is more likely to want to produce a few tasteless Kiwi fruit off the garage wall than to consume mountains of rhubarb.

And yet, well cooked rhubarb is delicious. Margrave does not share my taste for open-ground rhubarb. However, the slender pink petioles of forced rhubarb sends him into transports of delight. It cleans the palate, he observes, and makes the perfect between-course sorbet for the gourmet's table.

Margrave points out that garden-centres have played their part in rhubarb's declining popularity with a new generation of gardeners. An average garden centre is likely not to stock rhubarb at all, and if it does so it will be an unlabelled variety. The one he recommends is Cawood Delight, which will be on the Chelsea stand. Its sticks retain their brilliant red even after they are cooked.

Other varieties Margrave says deserve to be widely available are The Sutton, Timperley Early, Prince Albert, and its slightly later partner Victoria. There are also varieties which taste of cherries, greengages, blackcurrants, and apples – or so it is claimed.

Sadly, the rhubarb's elephantine leaves mean there will probably be room for only two culinary varieties on the Chelsea stand, and in all only six members of the Rheum family. And yet Harlow Carr holds the national rhubarb collection of over 150 varieties! Still more frustrating, Harlow Carr's Plant Centre does not sell rhubarb – surely this is should be put right? Margrave recommends John Tweedie of Maryfield Road Nursery, Maryfield, Terregles, Dumfriesshire who stocks 15 varieties; send a SAE for a list.

The fortunes of rhubarb may yet revive. As the admirable Foust points out, rhubarb is rich in vitamin C and non-fattening (he forgets about the sugar). Rhubarb keeps you more regular than a barrel of breakfast bran. The Mediterranean world, which has never fallen for rhubarb, needs to be introduced to a delicacy as thoroughly British as pork pies and smoked salmon. Just possibly, the rhubarb renaissance may have already started in the US. Since 1983, an annual Festival of Rhubarb has been held at a hamlet in Philadelphia called Intercourse.

Christopher Margrave: aiming to evoke the heyday of British rhubarb

The agony aunts of gardening lore

AS EVERY regular visitor to the Chelsea Flower Show knows, it is the people who matter quite as much as the plants they exhibit.

There stand the men and women who know the answers – whether daffodil-leaves should be tied in a knot, why your auriculas never germinated, why last summer's tomatoes had black blotches. At other flower-shows, exhibitors are too busy selling stuff to answer questions. At Chelsea, you fix the poor devils with a gimlet eye and they have no place to hide.

Exhibitors have ways of evading interrogation. They spend a lot of time fussing around the stand, squirting the roses and replenishing catalogues. Language, too, can be a problem. Last year, my most urgent question was about tulip fire. Does it persist in the soil? But the tulip-exhibitors were dour Dutchmen and as soon as I waylaid them, each became resolutely monoglot.

This year, I would find an answer. A section of the Great Marquee is virtually a clinic for gardeners' problems. The Educational and Science section is not glamorous; many exhibits are merely display panels and a few plants. Nonetheless, knowing gardeners queue up for advice, often with bags and matchboxes of unsavoury items.

For sick lawns, there is the Institute of Groundsmanship (0903-312511); environmentally friendly ways with greenfly, the Henry Doubleday Research Association (0203-303517); tree-problems, the Arboricultural Association; (0794-68717). A sign of the times, the Metropolitan Police will be advising on chaining down your statues and yuccas.

Among the agony aunts will be Dr Roland Fox of the School of Plant Sciences at Reading University, known worldwide for its horticultural expertise. This year's melancholy display, "Diseases in the Garden", is also advertising Reading's new BSc degree in crop protection as well as short courses on the diagnosis of plant disease (0734-318708).

The exhibit itself is not about curing diseases but the symptoms which reveal that "the invisible worm" is in the bed. Ghastly photographs illustrate scabs, lesions, cankers, blights, and moulds, all symptoms of what the experts call necrosis and we call a dead plant. A close up of carrot with black bodies, Sclerotinia sclerotorum, is as nasty as it sounds.

The vocabulary of the plant pathologist is strangely poetic. Fungi and bacteria reveal themselves by streaks, stripes, fire, scald, scorch, die-back, blotches, mummification, exuding, and bleeding. You want to know what happens when your pears get scab? "Conidia of the fungus form under the cuticles then burst through to sporulate." If the leaves of a plant grow downwards, it has epinasty due to ethylene caused by wilts or canker.

Scabby potatoes and crooked cactuses will make this Chelsea's first exhibit of (knowingly) diseased plants. However, some of these plants are valued for their viruses. If it were not for arabis mosaic virus which dwarfs its hosts, all kitchen-garden rhubarb would loom 6 ft tall.

The netted gold leaves on the honeysuckle, Lonicera japonica var aureoreticulata, are due to a virus. It is not readily transmissible, which is why the variegated form is tricky to propagate.

Virus has caused the variegations on clover, geraniums, abutilon, and a fine golden-veined canna peculiar to Reading's collection. A silver variegated pot of that awful pest, Mind Your Own Business, may have virus but could be genetic.

If this sounds a trifle academic, the Reading team will be there to answer questions. Why does my almond have Peach Leaf Curl despite being sprayed? Answer, because England is cold, and Bordeaux Mixture is not half as effective as lime sulphur which is listed in my old gardening books, but can be the devil to find.

Dr Fox is used to gardeners weeping as they describe sudden death of trees and shrubs. Often, honey fungus is often the cause. Disease, it is well known, is a matter of social class and as Fox puts it, "honey fungus is the major disease of RHS members." Look for white rot, like very old matchsticks, and for black "bootlaces".

However, the good news is that the Reading team have found a "very effective" preventative for honey fungus which it is developing for the market with Zeneca. Fox will not be drawn on the date of release, but it should be with us in the next few years.

Patricia Morison

GARDENING – A TASTE OF CHELSEA

A fine French sense of Chelsea deja vu

The Courson show: from small beginnings to successful growth

Robin Lane Fox travels to France to pick up some early tips for the UK's top show

LAST WEEK, I watched while horticultural punters scrambled for the latest line in copper labels; floral prizes had already been bestowed by the jury; as the rain intensified, we rushed for the tents and afterwards, a familiar column of middle-aged customers headed towards the car park, lugging irises in polythene to the boots of their Renaults and Peugeots. Yet Chelsea Flower Show begins on Tuesday and public tickets have already sold out. Have I beaten the crowds by telepathy? Have I dreamed in anticipation, erasing those outdoor gardens of cedarwood designed by the *Daily Express?*

Next week, I will be visiting Chelsea with a cosmopolitan sense of *deja vu*: I have prepared myself with a work-out at the flourishing new show in France. Ten years ago it started at Courson, about 30 miles west of Paris where the grounds of the Château had been ably gardened by three generations of the Fustier family.

A share in the property had passed to Helené and her banking husband, Patrice, but neither knew anything about gardening, except that it seemed to be dreadfully expensive, especially when the main rhododendrons died of drought in that frightful year of 1976. They approached the Association des Parcs Botaniques de France in 1983 and proposed a flower show for members in the Château's grounds. Innocently, they agreed to one nurseryman's last-minute request that exhibitors should be allowed to sell plants.

The association was not altogether prepared for over-the-counter trading behind the green cloth, but 200 members turned up and enjoyed the experience. With modifications, the experiment was repeated, making particular strides in 1986-7 and attracting valued support from Britain's Royal Horticultural Society. It now takes place twice yearly, in May and October, and although the Association still attends with pleasure, its members now comprise only a fraction of the visiting public.

Last week I watched while more than 20,000 paying customers turned up during three days to an agrarian style of car park which would reassure any visitors to an English village fete. Tenting is limited; the staging is *vraiment rustique;* exhibits are not massed or shown off *à la* Chelsea and there are no restrictions on buying plants from them on the first day. The proceeds from Chelsea go towards subsidising the RHS's other shows. Last week Courson's proceeds went to the Societé's Bills for maintenance, a private initiative in a country where the Societé National d'Horticulture let the chance of a Gallic Chelsea slip during its past 150 years of sleepy existence.

Courson is no Chelsea and my French informants assured me that they hope it will never lose its French style. Nonetheless, some of Chelsea's own exhibitors now cross the Channel in vans for this prelude, from Clifton Nurseries through Blooms and Scotts to Glebe Cottage Plants. What happens when French and English meet?

In the sunshine the French can enjoy the English and their open-air eccentricities: mature women in macintosh jackets discourse on Alpine plants, while the younger generation were breast feeding in track suit trousers beside family exhibits of rare trees.

The show has a wonderful feel of informality and weekend market which has still not been lost in its huge success. It also has the openness and personal enthusiasm of the Fustiers and their staff who deserve to make a proper return on a yearly investment of time, love and not less than FFr1m (£120,000).

For me, the *rencontre* refutes lazy expatriates who always complain that they cannot buy decent plants in France and that anything desirable has to be brought from England with the accompanying problems of forms and Customs. From June 1, plants from approved nurseries can circulate across the Channel without further bureaucracy: my first thoughts among the rustic tables were that England has the status of a horticultural Taiwan.

On French stands Fuchsia versicolor was selling for £18, Lavatera Barnsley for £17 and a clematis for £20, at the exchange rate for the debacle of Golden Wednesday. Standard box trees were on offer at up to £400.

I am not sure which is cause and which is effect, but until the Single Market, serious gardening from French tree and shrub nurseries has been a minority's possibility, pre-supposing enormous riches. Even at the herbaceous level, a common plant such as Geranium macrorrhizum from a first-class French nursery sells for more than a plant of the new, rare and lovely blue Corydalis flexuosa, driven over from Devon in the back of Carol Klein's nursery van.

Beyond question, French gardening is being pulled together. For the Fustiers, one delight of Courson is the emergence of remote nurserymen whom the show has drawn into the open. *Aimez-vous* old-fashioned roses? Try Boureau from the Ile de France which sells 500 varieties, including musk roses as elegant standards. Best of all, try Grillot near Lyons, "Rosieristes depuis 1829", describing itself as "archaeologists of the rose" across five generations which make Vita Sackville West look like a brief comet in the sky.

Preferez-vous Meconopsis? Try the Lemonniers in Normandy, whose owners describe to me their list of more than 25 varieties, many of which I would never expect to find in a seaside climate. What about betilla striata or the incredible Hebe Hulkeana? Try Dino Pellizaro down in Provence, whose list results from 20 years' keen plant-finding and is ignored by Brits who go south to escape the lawn.

We have all made jokes about those frightful red Salvias in the parterres of French châteaux: the tables are now turned, if you know where to look. To my eye, and ironic pleasure, the best sight of the show was the exhibit of Salvias by Yves Hervé and his partner at La Foux Nursery. Together, they have collected and exhibited wild Salvias from Brazil to the Middle East, most of which I had never seen, although the family is red-hot news in English container-gardening. Last year, the nursery took a small display to the Hampton Court show, but I now realise that this display was only an appetiser. These wild Salvias, like expatriates, thrive in the hotter areas, especially in the south.

Is there a wide and growing base for these plant lists among French gardeners themselves? Since 1992, there have been two equivalents to our *Plant Finder*, of which the better one is co-authored by Anita Pereire and published by Hachette. Like the new open frontier with British nurseries, these lists will raise the public's awareness of the possible. Scotts of Somerset is already supplying wholesale to big Parisian garden stores, including Cedré Rouge.

In the last three years, we have passed the point when the French were best left to accessories and their most stylish *jardins* were *imaginaire*. On the Wells and Winter accessories stand the presiding presence of Sir John Wells told me that on two days, takings already compared favourably with his entire haul from Chelsea.

Fifteen thousand garden labels had been bought, and French good taste preferred green labels to white ones. As yet, clients have not graduated to sophisticated needs like his caps for plant-stakes to blunt them and avoid eye injuries. French customers, he found, were much more decisive, unlike those little old ladies at Chelsea who fiddle around among his flower prints and end up buying nothing.

Ten years ago, the Fustiers never dreamed they would have a show whose jury included the top names in European gardening and which pulled in 20,000 visitors. In 1992, the RHS awarded a Veitch Memorial Medal to Patrice Fustier which he would be the first to share with his wife and fellow pioneer from a position of ignorance in 1983.

For gardeners in France the show catalogue is an essential index and a visit in May or October will transform attentive minds' ideas of their scope and supply. In the shadow of Chelsea, English gardeners would probably prefer to stay put, although curiosity is rewarded and a visit can be combined with a leap into early summer in the enchanted grounds of Paris's great haven, the gardens at Bagatelle. All of us must wish the Fustiers continuing luck with the weather.

During 10 dry years, their Courson show first revealed what French sources were growing in modest isolation: the English invaders will merely serve to enlarge it. Was it true, I asked Patrice Fustier, that two nursery persons had met at Courson, fallen in love and married? Perhaps, he replied, and if so, we will be exhibiting the hybrids soon at Courson too. As you follow the flow signs in Chelsea's matchless Main Tent, you may find it hard to imagine that in the scrimmage of this Flower Show, anyone has ever had time for romance.

Prize lecturer: Duncan Heather, principal of the Oxford College of Garden design

Chance for a prize composition

As English gardeners gear up for one of the highlights of their year, the Chelsea flower show, the Weekend FT, in conjuction with Oxford College of Garden Design, offers all-comers a garden challenge

A FREE PLACE at the Oxford College of Garden Design's summer course is being offered to the winner of our Composer's Courtyard Garden competition.

Valued at £1692 (£1440 plus VAT), the garden design course takes place from July 19 to August 12 at Wolfson College in Oxford. Numbers are limited to 16 to ensure that all students receive plenty of individual attention from principal Duncan Heather, one of Britain's foremost garden designers, and his team of lecturers.

This and a one-year part-time course which starts in September are being offered for the first time by the Oxford College of Garden Design.

The theme of the competition is a Composer's Courtyard Garden. The garden should reflect a well-known composer's personality or a particular piece of music. For example, a water garden might be a celebration of Handel's Water Music, while a theatrical garden could be inspired by Andrew Lloyd Webber.

Entrants are asked to design a south facing courtyard garden measuring 15m x 5m with a fertile clay soil. The garden is surrounded by a 6 ft brick wall and is entirely laid to lawn.

The plan should be submitted on a sheet of paper no larger than A3 and drawn to a scale of 1:50 (2cm = 1m). It should show the two dimensional layout of the garden to include features such as paving, ponds, pergolas, tree positions, planting beds, seats etc. The plan should be accompanied by a 200-word description of the garden. A detailed planting plan is not required. Applications should be received by June 18 this year.

■ *Details about the Oxford* **College of Garden Design are available from 34 Kings Road, Henley-on-Thames, Oxon RG9 2DG. Tel: 0491-411161.**

Country Note/**Michael Woods**

The otter surfaces

THE CHAIN fastened to the pub wall under a notice "Water Otter" led into the murky depths of a tank enclosed and landscaped, after a fashion, to resemble a river bank.

I bought my drink and waited expectantly but nothing appeared. Finally, seriously concerned for the animal's welfare, I hauled on the chain only to recover – a kettle! Sadly in England, kettles are far more numerous than otters, whose virtual disappearance in the 1960s and early 1970s largely as a result of poisoning from organochlorine pesticides and sheep dips, has been well documented.

These chocolate brown members of the weasel family are almost as big as badgers but they are shy, secretive and difficult to find. This makes them a problem to count. It would be hard to discover if they were numerous or scarce were it not for their characteristic droppings, or spraints, which enable biologists to get some idea of the size of their population.

These spraints are generally full of bones from fish and other prey which are glued together in a black and tarry mass. The most telling feature about them is their smell, a sweet musky odour which is both acceptable and unmistakeable, the staff of life to the otter surveyor.

While mink droppings, or scats, look much the same, their smell is far from pleasant. Otters hold territories along rivers and streams as well as on the coast and leave their spraints at strategic points as signposts which will be readily found by other otters.

Luckily for the surveyor, these are frequently on the ledges on either side of the water under bridges. Checking for them rarely means more than donning a pair of waders at the roadside and crawling under the bridge with a sharp eye and a keen nose. English Nature, then the Nature Conservancy Council, completed a first survey of otters in the late 1970s and has published the results of a repeat which was carried out ten years later.

These indicate that, since the guilty pesticides have fallen from use and hunting has been stopped, otters are on the increase, but only in those areas where they were strong before, in the far west and the far north of England.

Otters are spreading from these strongholds as their population grows to occupy new rivers. But where they have been severely reduced or are absent, things continue to look grim. At best they are doing no more than hold their own on the Somerset Levels and in East Anglia.

There is a great swathe running through the whole of central England to the south coast from which otters are entirely absent. The problem is that, since they became scarce, habitat changes have taken place both in terms of "improvements" to waterways and recreational pressures.

Even if otters increased in numbers sufficiently to recolonise this chunk of England, many of the rivers where they once lived are now entirely unsuitable for them.

Fortunately, in both Scotland and Wales, they are considerably more numerous and the islands and lochs on the west coast of Scotland are reputed to have signs of otters at every 100 metres on average. It is here, at Kylerhea on the Isle of Skye, that the Forestry Commission has established a centre and hide.

For anyone prepared to spend an hour or so there, the chances of seeing an otter are high. In contrast you could keep a look out for a lifetime on an English river without seeing a single one.

FOOD AND DRINK

Wine/Jancis Robinson

The power of sibling rivalry

The other Antinori is determined to make one of the world's best wines. He may have succeeded

THE STANDARD explanation for the extraordinary increase in wine quality over the past decade or so is improved technology. But that is just part of the story – the arid bit. The real reason often is good, old-fashioned competition between producers.

This is keener than ever before, not just because it is a buyer's market but because success is easier to measure. All the world's producers have access to the numerical scoreboards of the American wine press (which publishes points out of 100 for individual wines) as well as to the well-publicised results of comparative tastings and the like.

What a thrill to produce a 95-pointer when the product of one's competitor gets only 85. And, just think – if that competitor were one's older brother . . .

Sibling rivalry, one of life's more powerful forces, might just be the one which propelled international playboy Marchese Lodovico Antinori to carve his own wine estate, Ornellaia, from the scrub of the once mosquito-ridden Maremma of coastal Tuscany.

Antinori is a famous name in the wine lexicon. The family, based at the *Palazzo* Antinori in the Piazza Antinori, has been making wine in and around Florence since 1385. Today, Lodovico's older brother, Piero, runs Marchesi L.& P. Antinori and is probably Italy's most respected wine personage.

He made the prototype "Supertuscan", Tignanello, and a well-received attempt to coax first-growth claret out of Tuscan soil, Solaia. This was itself a riposte to Sassicaia, a similar Cabernet-based wine produced today by Lodovico and Piero's cousin next door to Ornellaia, where Lodovico's wine-producing relatives are referred to as "the cousin" and the "brother".

When Lodovico was 23, he was despatched to work for Antinori's US agent in New York while Piero remained at the Palazzo Antinori. But Lodovico's early exposure to a wine market harsh enough to call his family's Chianti "dago red" did little to kindle his enthusiasm for the business. He spent the next two decades producing films in Los Angeles, being a photo-journalist in Vietnam, skiing in Gstaad, hunting in Austria, and generally fleshing out a CV that would send a shiver down the spine of a careers' master.

Although Lodovico still spends more time in Switzerland and Austria than at Ornellaia, there are distinct signs that wine has got to him at last. It was André Tchelistcheff, the nonogenarian oenologist in California, who convinced Lodovico in 1980 that he would be better off establishing a wine estate in Italy than California.

Lodovico called on a roll-call of top wine names to advise him and regularly flies the jolly lord of Pomerol, Michel Rolland, to Tuscany to supervise the production of his special, all-Merlot wine, Masseto, which has achieved cult status in Germany and southern California.

Marchese Lodovico Antinori

Indeed, it is only because 1989 was a particularly generous vintage, yielding 650 cases of Masseto, that the wine is available in Britain for the first time.

The Ornellaia winery may be unusual. A total investment of more than £5m has resulted in a roof garden surreally sunk into the deserted Tuscan landscape "this is where we had the famous opening party", as featured in Tatler, empty marble halls "this is used once a year for a local festa", and an impressively architectural triangle full of Lafite and Lynch-Bages "the Marchese's private cellar".

But there is no doubting Lodovico's commitment to quality as a wine producer, nor that his approach is as sensitive as it is deep-pocketed. "I learnt more during Tchelistcheff's annual visits from 1980 to 1988 than I ever will again. It was total immersion in the philosophical concept, like having a tutor in many humanistic subjects, not just technology."

At Tchelistcheff's suggestion, he bought eight brand new oak vats in 1989 (thereby ensuring French coopers Radoux's profitability for the year) simply for short term storage before the wine is racked into the best barrels money could buy, just because Tchelistcheff said that he had good results with them at another millionaire's winery in California. Since his young Hungarian winemaker Tibor G'al visited Château Margaux, they are being used for fermentation too.

"Right now I'm having a love affair with Mr Anselmi of Soave", he announces gleefully, having fixed on this talented iconoclast as current white wine-making guru for his Sauvignon, Poggio alle Gazze. Tibor, whose young family has tried and failed to settle at Ornellaia, sighs deeply and often during his employer's outbursts, but he too cares passionately about the wines that are shown at Ornellaia – in special Austrian-made glasses.

Presumably in an attempt to staunch the outflow of lire, they have launched a pair of lesser wines, Le Volte red and Pian dei Susini white, made substantially from indigenous grapes grown outside the carefully guarded 56 hectare estate. The next vintage of Le Volte, 1992, looks an exciting step up from the 1991, but will not be exported until the autumn.

Lodovico Antinori, touring Britain's wine trade this coming week, if he can be persuaded to stick to his schedule, is determined to make one, preferably two, of the world's best wines. To all intents and purposes he has succeeded. Masseto is a sumptuous Merlot in the style of Le Pin, and the 1989, having been picked early, completely refutes the reputation of this vintage in Tuscany.

Ornellaia, a Cabernet-based blend, beguiled a roomful of Masters of Wine when served blind alongside Château Latour last year. The 1989 is impressive, the 1988 tantalisingly unobtainable, and the 1990 a knock-out. And in issue 82 of the influential US Wine Advocate newsletter, "the brother" and "the cousin" scored 90 to Ornellaia's 93.

■ Ornellaia 1990 is £23.83, 1989 is £21.49 and Masseto 1989 is £29.25 from Winecellars, London SW18 tel 081-871-3979, fax 081-874-8380. Le Volte 1992 should be less than £10.

Cookery/Philippa Davenport

A perfect risotto from Italy's best

THE International Food Exhibition is a biennial event at which producers and manufacturers hawk their wares to potential buyers in the retail and catering trades under the watchful eyes of the media at Earls Court, London. Some of the products are best-selling household names; others are still at the development stage, testing the market. As in a junk shop hunt or a bran tub lucky dip, there are plenty of no-nos to be found and a few gems.

Happy discoveries for me this year included razor clams and other spankingly fresh seafoods from Padraic Mulloy of Co. Mayo, Ireland (tel: 098-41328); wild capers on the stalk, pickled in wine and as pretty as cherries, from VEA Lerida of Catalonia, Spain (3473-126 000); and splendid anchovies (whole salted and fillets in oil) plus Blancafort Madurat goat cheese imported from Spain by Brindisa of London (071-403 0282).

The Italian contingent was bigger and stronger than ever before. I particularly liked the exquisitely creamy buffalo mozzarella from ABC co-operative farms centred on Caserta (0823-621 560); truffle products from Brezzi of Grosseto (0564-456 800); and a notable debut of offerings from Sardinia. Among these were a fine range of honeys (Agri-Sar: tel. 070-662 302); the best pecorino sardo I have ever tasted – a version intended for the table rather than cooking (Argiolas: 070-740 293); and a feather-light panettone made by the sourdough method and topped with sugar granules and almonds, like the Milanese Easter cake called Colomba (Murgia Salvatore: 070-924 5000).

At the end of the day, the Italian Trade Centre hosted a reception for all the exhibitors in its pavilion plus a sprinkling of outsiders; several hundred people in all. The menu included truly excellent bruschetta; focaccia with sun-dried tomatoes; polenta wrapped round fontina cheese and prosciutto, egged and crumbed and fried; Parma ham with hand-made grissini; assorted salami and regional cheeses; lots of rocket and little artichokes fried in the Roman manner; pasta 'nasciata (moulded and baked Sicilian style); and risotto primavera.

The highlight for me was the risotto – really delicious and a culinary near-miracle given the number of guests. Thirty kilos of rice was used, cooked in massive muscle-flexing panloads of 10-12 lb at a time.

'Franco Taruschio brought his entire enthusiastic brigade with him'

I went behind the scenes to watch work in progress and found the jolliest kitchen team imaginable, including: chef Mauro Bregoli of the Old Manor House in Romsey, Hampshire, tel: 0794-517353, (in whose kitchens I once spent a happy day lending a hand with salami-making after a pig-killing); Franco Taruschio of The Walnut Tree Inn near Abergavenny, in Gwent (0873-852797), whose fans will rejoice in the news that Pavilion Books is shortly to publish his *Leaves From the Walnut Tree*; and Pietro Pesce, of Danmar International, importer of much of the best Italian produce into the UK – and mastermind behind the risotto recipe below – and food writer Anna Del Conte.

Franco Taruschio had brought his entire brigade with him, a bright, enthusiastic and hardworking bunch of young people, all British save one, an American girl. It was a long and arduous day for them. They had set out from Wales at crack of dawn bringing everything with them bar the kitchen stove. After the reception Taruschio was taking them out on the town *far baldoria* (to have fun), before driving back to Abergavenny. That's what I like about the Italians: their sense of enjoyment of everything to do with good food.

RISOTTO PRIMAVERA

This is the delectable risotto as cooked by Bregoli and Pesce, scaled down to modest quantities suitable for the domestic kitchen – enough to serve four people as a first course or three as a main dish.

Ingredients: 5-6 oz asparagus; 3-4 baby artichokes; 4 oz very small courgettes; 4 oz peas (shelled weight); 1 garlic clove, chopped finely; 2 tablespoons finely-chopped onion; 2 tablespoons extra virgin olive oil; 2 oz butter; 2 tablespoons wine; 9 oz carnaroli rice; 2 pt chicken or vegetable stock; a bunch of flat-leafed parsley, chopped; 1½ oz freshly grated Parmesan cheese.

Method: Shell the peas and trim the asparagus, artichokes and courgettes as appropriate. Blanch all four vegetables separately and drain well. Cut the asparagus into short lengths and dice the courgettes. Chop the artichokes into small pieces and scoop the flavoursome marrow from the stalks.

Heat the stock until just simmering and keep it at simmering point. Heat the oil and half the butter in a heavy-based pan and sauté the onion and garlic until tender.

Stir the rice into the onion pan and cook for two minutes. Splash on the wine and boil rapidly until reduced. Add a ladle of stock and let the rice absorb it, stirring constantly.

Continue to add the stock, a ladle at a time, stirring frequently until the rice is cooked. Halfway through cooking, start adding the blanched and chopped vegetables. Begin with the asparagus stalks, as they are hardest and will take longest to become tender. Next add the artichokes and peas, then the courgettes and, finally, the asparagus tips and artichoke marrow.

When the rice is done, draw the pan away from the heat, season with salt and pepper and add half the chopped parsley. Stir in the remaining 1 oz butter (cut into small pieces) and the Parmesan. Cover the pan tightly with its lid and let it stand for a couple of minutes. Then stir the risotto vigorously again, transfer it to a heated dish, decorate with the remaining parsley and serve straight away.

Chef Mauro Bregoli (right) gets a helping hand to taste the fruits of his labours

Common Markets

Brian's bait tempts some fishy clients

A CONUNDRUM faces every interested British cook. Why is it so difficult to obtain the fresh fish our island waters so bountifully supply?

Over the past 50 years, 7,000 traditional wet fishmongers have disappeared from the country's high streets and the supermarkets have failed to rise to the challenge.

But this has allowed the rise of the travelling fish market. Today there are 1,200-1,500 small refrigerated vans on Britain's road uniting suppliers – fishermen and fish merchants based in Newlyn, Brixham or along the east coast – with their customers either at home or in staff canteens.

There are 200 vans carrying fish out of Grimsby alone to Birmingham, Leeds, Bristol, Liverpool and London. One is driven by Gary Simons, 32, whose father, Brian, started the business in the late 1970s when the building trade went into one of its periodic declines. He now sells 40,000 stone of fish a year around the country.

Fish which he buys in Grimsby on a Monday – his salmon comes from Scotland, smoked trout from Gloucestershire – is packed under ice for his 3.15am start on Tuesday. After a short sleep he is with his first customer in Bedfordshire at 7am and then it is on to Mill Hill, North Wembley and Harrow.

He stays in digs overnight and has a rendezvous arranged with a Grimsby fish merchant to top up his stock. When I met him there had been a run on salmon courtesy of a Delia Smith recipe on the television the night before.

On Wednesday it is St John's Wood, Regent's Park and Harley Street. On Thursdays he leaves central London via customers in Brondesbury Park, Finchley and Barnet and returns to Grimsby at about 6pm utterly exhausted. Friday is spent, more mundanely, doing the books and scrubbing down the van.

I sat in the van and watched Simons in action. Dressed in a white coat, nipping in and out ringing a number of doorbells simultaneously to see whether his customers were in and, if they were, what they wanted, he looked just like a fleet-footed milkman – except that he was delivering brill, dover and lemon soles, halibut, herring fillets, smoked salmon and kippers.

■ Brian's Fresh Grimsby Fish, 28 Stallingborough Road, Healing, Grimsby, South Humberside DN37 7QL. Tel: 0472-887557, mobile 0860-844508.

Nicholas Lander

Rich foods/Nicholas Lander

Why obsession is on the menu

WHY is it that rich men and women become obsessed with making wine, serving meals and running hotels. It must be love because having made money the sensible way they are ignoring commercial discipline and lavishing cash on their labours. So have California Cabernets been born, French châteaux renovated and grand Spanish hotels reopened.

One of the latest businessmen to do it is Jean Michel Signoles who, in 1967 at the age of 19, founded a children's wear company called Chipie. Today, his textile empire has outposts on high streets from Tokyo to London and boasts an annual turnover of more than £100m.

Chipie is still based in Signoles's home town of Carcassonne, in south west France, now home to his smaller culinary empire. Signoles was born in a house in a poor quarter of the town and grew up in the shadow of the *cité* of Carcassonne, the 12th century walled city that was reconstructed by Viollet-Le-Duc in the 19th century and, more recently, acted as Nottingham Castle for Kevin Costner in his film reconstruction of *Robin Hood*.

Situated between the cathedral and the castle was a bishop's palace which, over the centuries, was host to saints, popes and various kings of France. In 1909 the palace became an hotel and guests included Maurice Chevalier, Grace Kelly, Walt Disney and the British middle classes touring in their Singers and Wolseys. During the second world war it acted as the headquarters of Air France after it fled Paris.

The hotel closed in 1986 and eventually Signoles bought it. Chipie was attracting so many business clients that finding suitable accommodation was becoming impossible. But this does not explain adequately the £5m investment in this hotel, its sister hotel next door, the Dame Carcas, and the lively bistro, Les Coulisses du Théâtre, in the 13th century Rue Saint Louis. Civic pride and the chance to paint his design talents on to a larger canvas have also played a part.

It has also allowed Signoles' strong anglophile tendencies to prevail. The bedrooms are decorated courtesy of Colefax & Fowler, all the bathroom fittings are British and the garage houses his meticulously-maintained, pale blue Jaguar Mark 2 3.8. The library houses a complete set of *Guide Michelin* back to its first appearance in 1900, while the bar and dining room look and feel like a cross between an Oxbridge college and a Spanish parador.

In fields where Signoles is not expert he has taken expert advice. The wine list, although it contains many reasonably priced bottles from the surrounding vineyards, reads like the catalogue from a Christie's wine auction: 12 vintages of Château Margaux back to 1929, 14 vintages of Pétrus back to 1954, 13 vintages of Lafite to 1902 and the same number of different vintages of Château d'Yquem.

In the kitchen, Signoles has hired an extraordinarily talented chef, Michel del Burgo, aged 30, and given him a kitchen that most chefs only dream about. The main section is dominated by an enormous Molteni stove – considered to be the Rolls-Royce of its field – while at one end of the kitchen, and visible from the dining room, is an open spit oven that gives the air of a medieval banqueting hall. I ate the farmyard chicken, stuffed with herbs, spit-roasted and served with cep mushrooms. It was delicious.

So too were our first courses. A thick, cold but luxurious potato soup topped with generous shavings of truffles; one of Del Burgo's signature dishes, a risotto made from épeautre, the eye of a local strain of wheat instead of rice, with wild asparagus, and a carpaccio of duck served with a slice of foie gras on country bread. Del Burgo has managed to combine the region's penchant for trencherman-like servings at every course with refinement and even tweaked the local speciality, cassoulet, by making his with duck, hare and tender young pork. He has also had the modesty to put at the bottom of his menu the names of his sous chef and pâtissier. The latter's art is obvious from the delicious breads to the petits fours that followed a memorable hot chocolate soufflé with a white chocolate sauce.

The consequences of all this investment, hard work and talent is the restaurant's first star in the 1993 Michelin guide. After only two years, this is a considerable feat in the conservative world of French gastronomy. My biggest criticism of the restaurant is certainly one that would not bother any French reviewer. Although the service is attentive and friendly it lacks, I feel, a personality to orchestrate the imposing dining room and bar. But possibly Signoles intends to solve that by importing a British maître d'. Now that would show style.

■ *Hotel de la Cité, Place de l' Eglise, 11000 Carcassonne. Tel 68-71-60-60, fax 68-71-50-15. Rooms FFR800 to FFr1,000. Restaurant, La Barbacane, set menu from FFr250. A la carte FFr500.*

Dame Carcas, tel 68-71-37-37. Rooms FFr420 to FFr650.

Lighten up the face of science

Scientific works should have more popular appeal with better use of illustration says ***Clive Cookson***

THE SCIENCE Book Prizes, whose sixth annual awards ceremony will be held at the Science Museum in London next Wednesday, have done much to raise the visibility of popular science publishing in the UK – and at the same time have drawn attention to its serious shortcomings.

The fundamental problem is that most science books, even those aimed at the general reader, are written in a dense style that emphasises instruction far more than entertainment. Yet publishers remain reluctant to give them the amount of illustration – photographs and, above all, good explanatory diagrams – that they need.

Heather Couper, the astronomer and broadcaster who chaired this year's judging panel, was struck above all by the "sheer unrelieved density" of most of the 69 books submitted for the £10,000 adult prize, sponsored by Rhône-Poulenc, the French-owned chemicals company. (Sixty science books for children were entered for the £10,000 junior prize.)

Science suffers from the existence of a gulf between lavishly illustrated works – often referred to disparagingly as coffee table books – and the majority of publications in which words are all-important and any pictures a casual afterthought. This gulf reflects a deeply ingrained belief that text is intellectually superior to pictures. Good illustrations are seen as essential only for certain book categories, such as those for children and students, art books and how-to-do-it manuals.

Yet scientific concepts cry out for illumination by illustration. Publishers should be planning more books in which lively text and graphics are conceived in tandem to complement and reinforce each other, and fewer with a smattering of fuzzy photos or textbook-style diagrams.

One book shines out from the prize shortlist for the quality of its illustrations: *Insects in Flight* by John Brackenbury, a Cambridge University zoologist who painstakingly developed his own technique for photographing the astonishing contortions of flying insects' wings, legs and bodies. The publisher, Blandford, should be congratulated both for printing Brackenbury's stunning photos in high quality and for integrating them well with his lucid text and Rachel Chesterton's explanatory drawings.

The public longing for illustrated explanation accounts for the international success of Dorling Kindersley's Eyewitness Science series, which are produced primarily for young readers but also sell well to adults. Other publishers may claim they cannot afford to produce science books with more and better illustrations. But they should remember that most will not need the full Dorling Kindersley treatment; just a few well placed graphics could make all the difference. And if costs do increase, the answer is surely to produce fewer, better books with more international sales potential. There is no overall shortage of science books – the total number of new titles published in the UK rose from 2,225 in 1991 to 2,847 last year, according to Book Marketing Ltd.

Of course, improved visual presentation is not the whole solution. Science books also need a more inspiring text, says Anthony Wilson, publications manager of the Science Museum, who has been involved with the Science Book Prizes from the start and is on this year's judging panel. "Although the entries have improved in quality over the five years, and the standard of writing and explanation in the shortlisted books is high, they are not always as lively or engrossing as we would like," he says. "A more poetic approach – and more wonder and amazement – might make these books more popular with general readers." In Wilson's opinion, the only "really unputdownable" read on this year's shortlist is *The Malaria Capers* by Robert Desowitz, a professor at the University of Hawaii.

Publishers generally prefer their science books to be written by active scientists rather than professional writers – even a master such as the American journalist James Glieck, shortlisted for *Genius: Richard Feynman and Modern Physics.* Among scientist-authors, the most consistently inspiring include Stephen Jay Gould of Harvard, Richard Dawkins and Colin Blakemore of Oxford and Jared Diamond of UCLA. They are among the 12 eminent scientists who have been enlisted by John Brockman, a New York agent, to write for Science Masters, the most ambitious science books venture so far. An international consortium of 16 publishers, led by Orion in the UK and HarperCollins in the US, will launch the books in autumn 1994.

The world's publishers see popular science books as a growth market and they are willing to invest in it, as the multi-million pound Science Masters deal shows. Bookshops are keen to give them more prominence too. The biggest single boost for science books in the UK may come from the recent decision by W H Smith, the largest national chain of book shops, to set up separate "popular science" sections in its 500 branches. Publishers and authors must now produce science books with real popular appeal that will persuade buyers to return consistently to those shelves.

The great inquisitor

ASKED ONCE who was the ablest man he had ever met outside politics, Attlee answered, "Franks". Many others – British, American or European – who were active in public affairs in the early post-war years would have agreed. A younger generation who may be puzzled by this judgment will understand it better when they have finished this appreciative but by no means hagiographic account of his life.

Having been, like so many academics, drafted into Whitehall at the outset of the second world war, Franks showed an immediate talent for administration – a talent never seriously engaged either before or afterwards. By 1945 he had become, at the age of 40, Permanent Secretary of the Ministry of Supply when it employed over 400,000 people. Then, in 1947, he played a crucial part in the development and implementation of the Marshall Plan. First, in 15 hectic weeks of immense effort he produced, as Chairman of the newly formed Committee for European Economic Co-operation, a unanimous report with much supporting analysis on Europe's projected needs for dollars, both in aggregate and by individual country over the next four years. Then he went to Washington and, almost single-handed, persuaded the Americans to legislate a not too scaled-down version of these proposals.

As a direct result of this resounding achievement he was appointed Ambassador to Washington in 1948. For the next four years his unusual combination of analytical ability, moral authority and neutrality of mind made him an outstandingly successful Ambassador. He was pivotal in the creation of NATO and in persuading the UK to join the US in the defence of South Korea. Dean Acheson came to regard him almost as a personal adviser and in Anglo/US negotiations at the highest level he was virtually accorded the status of Chairman.

Apart from the tremendous 12 years 1940-1952 his career was relatively unremarkable. He was an academic philosopher for 12 years before the war; Chairman of Lloyds Bank from 1954 to 1962 and Provost of Worcester College, Oxford, from 1962 to 1976. He wrote extraordinarily little: one academic philosophical paper and an unmemorable set of Reith Lectures in 1954. Virtually nothing else.

On the other hand, look at his "shadow c.v." – the posts he was offered and turned down: Secretary-General of NATO; Chairman of the National Coal Board, British Railways, British Petroleum, the Atomic Energy Authority; Director-General of the BBC; Headmaster of Harrow; Editor of *The Times*; Governor of the Bank of England. The Establishment clearly valued him and tried hard to get him to work for them. But he appears to have had a deep-seated reluctance to commit himself institutionally. It shows even in his religion, which was of the utmost importance to him. He was a life-long attender of Quaker meetings and married in a Quaker ceremony, but unlike his mother and his wife he never joined the Society of Friends.

OLIVER FRANKS
by Alex Danchev
Clarendon Press, Oxford £25, 256 pages

Outside his relatively short period of formal public service his powers found their greatest expression in inquisition. There were eight Franks Reports on subjects as diverse as Indian development plans and British business schools and including a massive inquiry into Oxford University in 1960. They normally ended with clear recommendations arising logically from the mass of evidence lucidly marshalled. If sometimes those commissioning the reports were disinclined to accept their conclusions, that was not Franks' concern.

His conduct of inquiries was legendary. His questions tended to be long, miraculously coherent summings-up of the issues at stake or of the witness's previous answers, at the end of which many witnesses could do little but agree. (On one occasion the formidable Dame Evelyn Sharp was subjected to a particularly intricate question, delivered without notes and extending to three pages in the transcript. She asked if the question could be repeated. It was and proved identical in the transcript except for occasional phrases.)

Alex Danchev has written an excellent, informative and thoughtful biography of this outstanding, puzzling man. The heart of it is naturally the early post-war years where the author is clearly at home with the background and provides an account of this seminal time that is both readable and well referenced. But the whole book is fascinating for the attempts – doomed by the nature of the subject to be ultimately unsuccessful – to understand and explain precisely what made Franks tick.

Only in his account of the Falklands Inquiry may some readers feel let down. Danchev behaves as gingerly in assessing Franks and his colleagues as they themselves did in assessing the behaviour of all those from the Prime Minister downwards whose combined errors led to an avoidable disaster. Those looking for a more robust account can find it in Ian Gilmour's *Dancing with Dogma.*

Kit McMahon

The Annunciation. One of Fra Angelico's frescoes in San Marco, Florence

Gospel according to Fra Angelico

THIS exceptionally beautiful book describes the corporate mentality in early 15th-century Florence. It reminds us that Fra Angelico was not simply a Florentine painter who applied a fresh and highly expressive pictorial language to traditional religious scenes. Fra Angelico was a member of the Observant Dominicans, which meant that from his mid-twenties he was a wholly committed, corporate man.

The take-over of San Marco in Florence represented a signal triumph for the 30-year-old Observant or reformed Dominicans. The Observant programme was to recapture the original fervour of St Dominic's mendicant preachers, established in 1216 to save fellow-Christians from heresy. However, begging in the streets was hard to square with a life of study and contemplation. Finally, the Observants followed the unreformed Conventuals in opting for a more genteel form of begging: fund-raising.

It was Cosimo de' Medici, patron of San Marco, who paid for Fra Angelico's paintings. One theme explored in this rich book is the tension between Medici patronage and the vow of poverty. Cosimo's clout was irresistible. At San Marco he had his own room and even, it would appear, his own chapel. Saints Cosmos and Damian, his patron saints, had to occupy a dramatic position in the great altarpiece.

But that was the limit of Medici propaganda. Away from the church were paintings intended mainly, and in the dormitory exclusively, for the friars' eyes. Here the Observant message rang out uncompromised. But who decided what Fra Angelico painted, and who approved the sometimes radical departure from traditional subject-matter?

Hood argues that Fra Angelico was not merely illustrating texts by the famous Prior Antonine (later canonized) and other Dominicans. His suggestion is that here at San Marco, the artist-friar was able to make his own choices and decisions.

Fra Angelico at San Marco is a superbly evocative picture of the lives of its inmates and the role played by images seen a thousand times. Our understanding of these paintings is lastingly deepened by descriptions which relate the image to the liturgy and to meditational literature.

The friar in his icy cell on a February morning, preparing a sermon for the feast of the Purification of the Virgin, would have known the gospel passage by heart. Learned commentaries were on hand in the library (given by Cosimo). Just along the corridor was the "angelic" painter's own interpretation of the traditional image for the feast-day, the "Presentation in the Temple".

FRA ANGELICO AT SAN MARCO
by Wiliam Hood
Yale £45, 338 pages

St Peter Martyr is there, kneeling in meditation, showing that this is not a narrative scene but a reminder of the Dominican mission. Looking at the priest Simeon, with the swaddled Christ child in his arms, the friar's lips would have murmured Simeon's grateful words, the Nunc Dimittis, "Lord, now lettest then thy servant depart in peace". These were the words which friars recited every night of their lives at compline.

We will probably never know whether it was indeed Fra Angelico who chose what to paint for San Marco. It seems likely that it was Prior Antonine who ruled that, away from Cosimo's eyes, the artist should avoid expensive pigments. If Fra Angelico was an artist before he was a friar, then perhaps he resented being deprived free use of lapis lazuli and other expensive pigments. But if, as this book suggests, he was first and foremost a corporate man, then he would have willingly acquiesced. His talent, itself a gift from God, could more than compensate.

Patricia Morison

Illuminating thought

WHAT IS light? Arthur Zajonc and a colleague, both physicists, recently constructed a science exhibit to show why this question is so compelling. They made a box into which strong light is beamed. Viewers peer into the box through a window. What they see is – nothing. Outside the box is a handle connected to a wand projecting into the box. When the handle is pulled, the wand moves up into the beam, flashing brilliantly on the surface facing the light source. Only with something to illuminate does light become visible.

Many historians treat science as a tale of progress from superstition to enlightenment. Zajonc takes a different tack. His interest lies in the variety of human efforts to make sense of the world. In this book he concentrates on one of the most extraordinary and beautiful of things, and one of the most difficult to understand: light, and its allied phenomena of sight and colour.

Zajonc takes us from the Egyptian god Ra, whose eye was the sun and whose tears gave rise to mankind, to the latest speculation on the ambiguous nature of the photon in quantum physics. It is a fascinating journey. Zajonc succeeds in showing that scientific enquiry is seamlessly part of the human search for more than mere facts. Recently science has come under renewed attack for clipping angels' wings, as Keats put it, and unweaving the rainbow; but Zajonc shows how mistaken this perception of science is.

Light is central to our imagination of the world. Creation was conceived as the moment when god ordered light into chaos, and great religions like Zorastrianism and Manichaeism carried the theme forward by describing existence as the struggle between light and darkness. The metaphor of the "light of the world" is central to Christianity also, and it is unsurprising that from antiquity onwards intelligence has been analogised as the light of the mind. The word "theory" derives from the Greek word "to behold", and blind seers, like Homer and Tiresias, gaze further than sighted men because their inner light shines brighter.

Early philosophers described seeing as a projection of light from the eye. Light itself was, quite literally, the eye-beam of god, as witness the identification of Ra and the sun. Plato thought of sight as the mingling of daylight with beams emanating from the eye, kindled there by a *fire* within; inner and outer light coalesce, making a bridge for motions caused by external objects to pass into the mind.

CATCHING THE LIGHT
by Arthur Zajonc
Bantam Press, £16.99, 388 pages

Until the beginnings of modern science in the Renaissance, the mysteries of light remained a rich source of metaphor for speculation about gods and minds. But with the work of Italian artists on perspective, furthered by the optical researches of Galileo and Descartes, light began to reveal itself as a repository of mysteries much stranger and deeper than the pre-scientific imagination had ever dreamed.

Newton split white light into its spectrum of colours by beaming it through a prism. He conceived of light as particles of different sizes, each responsible for producing a different colour in visual experience. In the following century Leonhard Euler rejected Newton's view, replacing it with a wave theory of light, on analogy with sound. Augustin Fresnel developed the theory, and experimental work supported it. The stage was set for 19th century science's great distraction, the quest for the *luminiferous ether.*

Just as sound needs a medium through which to propagate – it does so by compression and rarefaction of air – so a medium was thought necessary for light. The *ether* filled this bill. Much effort was devoted to the search for it. But the brilliant work of Michael Faraday and James Clerk Maxwell on electromagnetism sowed the seeds for abandonment of ethereal speculations, and prepared the ground for the giant steps soon taken by Einstein and the quantum theorists.

In quantum mechanics light is described as both wave and particle, a deep ambiguity which has led to a revision of the fundamentals of physics. Photons have no mass, and display the weird property of *non-locality*, meaning that ordinary concepts of causality do not apply. To accommodate light in the physics of the universe, entirely new ways of thinking are required.

By exploring the unfolding of views about light from mythology, religion and current science, Zajonc helps us to a position where, in the concluding discussions, quantum theory strikes us as no more odd, though no less mysterious, than any of its predecessors. Although Zajonc goes close to the edge of speculation sometimes (can Rudolf Steiner really be as serious a contributor to the debate as Albert Einstein?) one learns a lot from this rich book, which is highly entertaining and – yes – illuminating.

A.C. Grayling

A stiff upper lip

ROGER Cooper has written a cool, elegant and in the end rather moving account of his five and a half years in that nightmare situation of today's expatriate, the Middle East hostage. When he was imprisoned by the Iranians in 1985 he was in great danger because, on the face of it, he was indeed qualified to be a "British spy": he was an authority on Persia, had lived there for many years, was variously a journalist, consultant, teacher and businessman.

Quite soon in his interrogation he was prepared to write a "confession" in which he confected a colourful autobiography that relied on characters drawn from Evelyn Waugh's novels. He was eventually sentenced to death (for "alleged fornication" 25 years before) and another ten years for spying. One of the few sympathetic Iranians in this book assured him that he would serve the two sentences in reverse order.

There is a corpus of Hostage Literature. Cooper never attempts to match the remarkable poetic candour of Brian Keenan, and he does not have the best-selling story to compete with the boy-girl romance of John McCarthy. What he achieves is a fascinating demonstration of the stiff upper lip.

His imperturbability – which is a high form of courage – is almost unbelievable. This is a narrative devoid of anguish, terror, even anger. "I felt very sorry for myself"; "Anyone who has been to an English public school and served in the ranks of the British army is perfectly at home in a Third World prison"; "I felt quite wobbly"; "the beatings were unpleasant enough, of course, but not seriously damaging": that is as far as he is prepared to go. It is a book full of jokes as well as blindfolds and deprivation and mock executions and, just once, a rejection of suicide.

DEATH PLUS TEN YEARS
by Roger Cooper
HarperCollins £17.50, 330 pages

How can a man be so cool about five wasted years? The answer lies in the character. Roger Cooper (who had various connections, and friendships, on this newspaper) always had an *insouciant* quality which, I suspect, helped carry him through. He loves Iran and believed he knew best how to cope with its fundamentalist rulers.

He is too modest to mention it but he is a Persian scholar of distinction; he might perhaps have been an academic but was sent down from Oxford, ridiculously, for going to join the Hungarian uprising in 1956. (It would have been good to have a fuller autobiography – the Cooper family is interesting, his uncle was Robert Graves, etc.) He describes how he used his later imprisonment to set out on a course of intense study.

As for the spying, surely MI6 is not so crazy as to hire such an oddball eccentric – yet there is a curious sequence in the chronology when he makes notes for a "confession" which he hides under his mattress and they are of course found. One guesses that the full story will never be told; *FT* readers who know the Middle East will appreciate that these things are never simple.

Only at the end, after he is free, do we glimpse the horror which Cooper is so loath to admit: "even in a curtained bedroom I slept with my airline eyeshade on as a kind of security blanket just as I had worn my blindfold in gaol to keep out the non-stop lights of my cell". A brave man, and he is still not willing to admit just how much that means.

J.D.F. Jones

Crime/William Weaver

Active service

THE WRITER of crime novels has a limited choice of protagonist: it can be the investigator (uniformed or amateur) or the murderer or, more rarely, the victim.

If the investigator is chosen, he cannot be allowed to have too much personal life, otherwise wife, kids, the unrepaired dish-washer and the Sunday dinner interfere irritatingly with the crime's solution. For her first suspense novel, *Kindness Can Kill* (Constable, 190pp. £13.99), Jane Bolitho steers an ingenious but steady course concentrating on the victim but also allowing her DCI Ian Roper a considerable, engaging but apposite life of his own. The crime – an attractive, independent woman is brutally and inexplicably murdered – takes place in a rich context and touches many lives, described with perceptive economy and wry humour. The small-town setting is traditional (there is even a vicarage), but the author gives it fresh vitality.

David Armstrong's first novel, *Night's Black Agents* (Collins, 184pp, £13.99) presents another new and arresting talent. Here the actual murderer, a misanthropic canal boatman, and his homicidally crazed employer, a cuckolded landlord, are the focus of attention, along with the unusual setting: the canals of the Midlands and the North-West during the 1930s. The debutant novelist reveals a genuine gift for atmosphere and for keen characterisation; (the errant wife and lonely child are tellingly drawn); the denouement, however, is a let-down, dependant on a man's somewhat unconvincing weakness rather than on the logic of events and the investigation. Still, this book is impressive and eminently readable.

A Detective Constable on active service, Keith Wright has found time to produce three novels. The latest is *Addressed to Kill* (Constable 192 pp, £13.99), starring DI David Stark (with the usual vaguely dissatisfied wife and children neglected in the line of duty). In the course of the book, a rapist killer runs loose, but is finally apprehended in a good chase. Wright's forte is police-station atmosphere, chaff, routine, personality clashes, sententiousness. Nothing startlingly original here, but a highly competent performance.

Emotional wars hot up at Cannes

INFLATION is amazing in Cannes. A *café au lait* costs two pounds. Elizabeth Taylor costs $1m for a single night (the hoped-for revenue from her $2500-a-table Cannes charity dinner for Aids). And as Palme d'Or lobbying begins, the praise for individual films by loyalists and PR persons grows balloon-like by the hour. One fears the day when, as happened to Inflatable Arnie Schwarzenegger this week, a much-puffed movie suddenly loses air and threatens to fizz round Cannes like a demented rubber sprite.

Jane Campion's *The Piano* is still the palmist's favourite; but Chen Kaige's *Farewell To My Concubine*, a mid-festival cheer-raiser, may provide a photo finish on prize night. This spectacular three-hour assault on the icy face of recent Chinese history has two Peking Opera performers (played by Leslie Cheung and Zhang Fengyi) acting as our sherpa guides. Their story begins in 1926, when they are thrown as boys into the brute disciplines of a pre-Maoist opera school. Then it climbs onward and upward through Japanese invasion, nationalist resistance, the Communists' coming to power and the Cultural Revolution. Can the two men's precious art survive the blizzards of history? Can *they*?

Chen Kaige belongs to the generation that has transformed Chinese cinema. But his new film makes even *Yellow Earth* and *Life On A String* seem apprentice work. The scene-painting is sensational. Here a Chinese opera brought to life in all its regal *éclat*. Here a mist-strewn city street suddenly thundered through by Japanese troops, scattering its crowds and composure. Here the grim pageant of a light-raked Maoist show trial.

Within the great design the main characters wage their own emotional wars. The actor who plays the Queen loves the actor who plays the King who loves a glamorous courtesan (Gong Li). And when not wrestling with their private lives, they are frogmarched off to face history's regular tribunals on whether their art is edifying or reactionary.

The film stumbles only in later scenes when the historical signposts multiply too fast. Nationalists routed to Taiwan; Red Army entering Peking; Mao announcing Cultural Revolution . . . We want to cry "Whoah" as the Great Events begin to drag the human players in their traces, and the director himself wields the didactic whip too strongly in using his characters to castigate the grim kismet of his country.

***Nigel Andrews** on the build-up to Palme d'Or day at the film festival*

But three hours of Chen Kaige is a trifle in the viewing compared to the 2¾ hours of the festival's rival marathon. Wim Wenders's *Faraway So Close* is *Wings Of Desire* part two. The German director takes the earlier yarn's themes and characters – Berlin angel Otto Sander, fallen-to-earth angel Bruno Ganz, much metaphysical warbling about time, memory and emotion – and shakes them around like dice before scattering them over the crazy-paved plot.

The film starts with intimations of mortality – it is Sander's turn to fall to earth and become human – and ends with imitations of Alastair McLean. The climax is jaw-droppingly dotty. A raid on an arms vaults by an army of trapeze artists; a hi-jacked barge; a mid-air shoot-out; and dear Horst (*The Magnificent Seven*) Buchholz brought out of seclusion to play chief baddie.

There *are* depths, but you need McLean-style scuba equipment to find them. Even early on, they are sunk beneath the gnomic voice-overs, the flotillas of guest stars (Peter Falk, Nastassja Kinski, Mikhail Gorbachev) and the stylistic surface as capricious and confused – now colour, now monochrome, now slapstick, now serious – as an oil spill. Despite moments of magic, Wenders has still not recovered from the try-anything prolixity that brought us the *Until The End Of The World*. *Faraway So Close* is too much of too little, or possibly too little of too much.

This we cannot say, despite title, of *Much Ado About Nothing* by William Shakespeare in collaboration with Kenneth Branagh. Of the Anglo-American movie contingent going for gold on the Côte d'Azur, this sun-bronzed Bardic lark is the cheerleader. Branagh plays Benedick and – contain your surprise – Emma Thompson plays Beatrice. Add a half-dozen British theatre stalwarts and a trio of box-office Americans (Denzel Washington, Michael Keaton, Keanu Reeves) and you have this feel-good verse epic set and shot in sunny Palladian Italy.

Many have sniffed in disdain. I ended up sniffing in delight: my handkerchief used for laughter in the early duels of wit was later used to dab emotions at the film's authentically moving ending.

Two other Cannes films, Peter Greenaway's *The Baby Of Mâcon* and Stephen Frears's *The Snapper*, represent the high-faluting and low-faluting ends of British cinema. Neither are in competition, which is as well for Greenaway's extravaganza which found popularity nowhere. In this cod 17th century religious pageant, presented as a play within a film within a theatre-cum-cathedral, the title tot wreaks havoc on the "virgin" mother and venal prelates who exploit his supposed miraculous powers.

A for idea, but C minus for clotted pace, monotonous rhythms and relentless decoration. By curtain-time we have had rape, cannibalism, plainsong, multiple nudity and the rest of the Greenaway baggage; and we are pining for a simple British film like . . .

Kenneth Branagh and Emma Thompson in Branagh's 'Much Ado About Nothing'

Well, in theory like Frears's *The Snapper*, scripted from his own novel by Roddy Doyle of *The Commitments*. But though this is cheerful, it is also fearfully slight. Ninety Irish minutes of "Who's got Sandra pregnant?", "Who's buying the next Guinness?" and "How do we get the next chortle from the audience?" It was made for TV and should perhaps go straight there: though Colm Meaney's rumbustious performance as Dad deserves a bigger, better setting.

The rest of Cannes has been show business as usual. The competition has never been dull even when it has disappointed. Steven Soderbergh's *King Of The Hill* is a sentimental but sweetly acted Depression tale from the director who conquered Cannes three years ago with the tougher *sex, lies and videotape*. Alain Cavalier's harsh, no-frills political fable *Libera Me* falls short of his radiantly minimalist religious fable *Thérèse* (Cannes Jury Prize winner 1986), but wins points for boldness in its eschewal of dialogue for a mute cinema of gesture. And Stephan Elliott's comedy-thriller *Frauds* from Australia has a silly plot about insurance scams but Phil Collins showing surprising comic acting muscle as the dandyish villain.

For the rest, we liked caustic Chicago gangster Bill Murray laying waste the acting competition, including Robert De Niro, in the American police romp *Mad Dog And Glory*; Australian film-maker Bob Ellis limning a tender comedy of adolescence and Armageddon in *The Nostradamus Kid*; and the real Arnold Schwarzenegger guesting through Cannes and refusing to be upstaged by his forty-foot blow-up doppelganger. As for the final hot-air event at Cannes – the prizes - that happens on Monday night.

Macbeth in a mess

THE outgoing administration of English National Opera must be cursing the fact that money could not be found for their celebratory end-of-term performance of Verdi's Requiem. Instead, they will be departing to a "special farewell" performance of the same composer's *Macbeth*, no doubt with a cackle of delight at having left so ghastly a production for their successors. To the usual cast of the opera they add Hecate as an extra character and she has cast her most grisly spell over this revival. In a year or two regular patrons at the London Coliseum will no doubt be sharing memories of the many inspiring nights that Mark Elder (conductor) and David Pountney (producer) gave them during the years of that team's partnership. But on Thursday those happy occasions seemed a long way off.

There are various reasons why Verdi chose to turn *Macbeth* into an opera. One theme, as in so many of his operas, is the use (or misuse) of power and it is possible to imagine a production which would bring this element up-to-date, since Verdi's own feelings on the subject were a response to the events of his day. Pountney has toyed with that approach, but not convincingly followed it through.

The whole production is a cauldron full of clever ideas that do not work. The witches are a haggle of middle-class ladies, together with a few men in drag, who seem to be living in suburban Glasgow sometime in the 1950s. Banquo is murdered by a trio of cross-dressing hit-men wielding handbags. Birnam Wood has become a sort of Scottish Garden of Eden inhabited by rows of naturist locals who have all left their sporrans at home. What a mess! Eye of newt would be a delicacy after all the tripe that Pountney has tipped into this unholy brew.

***Richard Fairman** reviews a revival of the ENO production of Verdi's opera*

It might have mattered less if the performance had been as exciting as the opera usually is. Unfortunately, there was a limited sense of the drama powering towards its crisis points, which was strange, as Elder himself was conducting a taut and well-paced account of the score.

The most likely answer is that, if the production is unrelievedly overworked, the performance will respond by seeming all on a level. For all their hyperactive emoting, Malcolm Donnelly and Kristine Ciesinski as the Macbeths never really led the drama. Donnelly has the experience for the role, but made heavy weather of any passage that called for the singing of a sustained line. Ciesinski has power and commitment, but not the precision for the music, and a troublesome wobble is starting to beset the voice. John Hudson gave notice of a promising new tenor as Macduff; Gwynne Howell was the reliable Banquo.

When one producer has given his time so abundantly in furnishing his company with new productions, it is inevitable that his style will become familiar to the point where it only irritates. After this *Macbeth* it is time for somebody else's clichés.

Further performances until June 26

Dancing Dracula

WITHOUT, uncharitably, naming names, I must note that the idea of a horror ballet suggests to me the work of one or other of those European choreographers who specialise in anguish and intellectual posturing. How good to report that the Royal Ballet of Flanders has brought an *echt* Bram Stoker-ish chiller to our shores, this week in Northampton. *Dracula* is the real thing. It was choreographed by the late Stuart Sebastian in 1990 for his Dayton Ballet, and entered the Flanders repertory a year later.

It would be easy enough – and difficult enough – to send *Dracula* stratospherically up. Sebastian cleverly saw it as a narrative which, while it might encourage performances of extreme and scenery-chewing bravado, had dramatic energy and unabashed blood-chilling tensions. So his staging fillets Bram Stoker's tale, but keeps its curious erotic drive, and brings off some tingling theatrical coups to set our hackles rising.

I would not make vast claims for Sebastian's choreography – his dances are unadventurous in classic language – or for his sensitivity as a story-teller, but this *Dracula* moves at a cracking pace, and has the properly uneasy atmosphere. There is effective design, by Chris Phillips, of skeletal arches and drapery that evoke locations well, with excellent lighting also by Mr Phillips, and good traditional costuming by Lowell Mathwich.

For his score Sebastian made a collage of classical gems: we begin with the *Dies irae* from the Verdi Requiem, and pass by Verdi's *Macbeth*, the Rossini *Stabat mater*, Rakhmaninov's most famous piano prelude and a mad moment from a Vierne organ sonata with wolf-howl obbligato. There is also an intermittent accompaniment of bat squeaks, thunderstorms, a few ear-splitting screams from recipients of the Count's attentions, quantities of drifting mist and hellish red light. It is all huge fun in its desire to give us something horrid. Sebastian makes sound dance ensembles – there is a charming party scene to Lanner waltzes – and a couple of pas de deux in which the Count's irresistible charms are well displayed as he plays at transfusions with Lucy Westenra and Mina.

The piece is danced with tremendous verve by the Flanders company. The ensemble is strong, classically stylish, and the leading roles, as I saw them on Thursday evening, are excellently taken. Dracula is played by Chris Roelandt with entire seriousness and a considerable and demonic allure: we believe in him. Lucy is beautifully drawn by Lorena Feijoo and Mina is no less well shown by Ninon Neyt. As the mad, fly-eating Renfield, Eric Frédéric gives a fine display of neurosis and pirouettes, and I was impressed by Einat Imaev (a Bulgarian danseur) who played and danced Jonathan Harker with real finesse. The entire cast give the piece a nice edge of hysteria to keep us all on the *qui vive*. It may not be the most serious ballet on view this year, but it must be among the most engaging. And for connoisseurs of theatrical tots, there is a female kiddie who scampers, with gorge-rising innocence, into the clutches of the vampires. But instead of being served up as an aperitif to the Count, the infant (in a white nightie and a mass of tousled curls) is led to safety. Curses!

Clement Crisp

At the Derngate, Northampton, until May 23. Support from Ann Bonham and Sons. Grand Theatre, Blackpool from May 25-29

Off the Wall/Antony Thorncroft

Lottery – a hollow gamble

THE Lottery Bill arrives in the Lords next week. It should pass through unscathed: indeed it might acquire some extra weight if their Lordships approve an amendment which makes the Lottery a charitable foundation and frees it from political influence.

But although there is no doubting its long term importance to the arts and heritage (to say nothing of sport, charities and the Millennium Fund), in the short term the Lottery is having a malevolent influence. It is setting arts organisations against each other as they jockey for position, under pressure to make their case for Lottery cash.

Has the Royal Opera House gone off too soon with its plea for £45m for its rebuilding programme? Can the Tate really walk off with £50m for its new museum of modern art? What about the proposed Cardiff opera house; the demands of Olympics-chasing Manchester; to say nothing of the V&A, with its buckets to catch the rain, and so on. This week alone there were two more substantial starters – English Heritage anxious for £15m for the "new" Stonehenge; and the Theatres Trust seeking a £30m endowment to patch up our disintegrating theatres.

The whole thing is getting out of hand, especially as the organisations (like the Arts Council, the Sports Council, the National Heritage Fund) selected to hand on the money have been advised to plan on an initial honey pot of £50m a year each, well below earlier estimates.

To date the Lottery has excited suspicion, wild scare stories and worry, and raised expectations that cannot be fulfilled. It has also had a deleterious short term impact on funding. The money going eventually to the heritage obviously influenced the government's decision to cut the annual grant of the National Heritage Fund next year from £12m to £8.2m, and may well be responsible for the planned £5m cut in the Arts Council grant for 1994-95.

The Council's dramatic policy shift last week, when it seemed prepared to allow established arts companies like the leading theatres and orchestras to rely more on their own talent for revenue raising while subsidy was used to foster the avant-garde and individual artists, could also be a reflection of post-Lottery thinking. The Government's protestations that the Lottery would provide additional revenue for the arts look increasingly hollow.

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This week even the National Theatre, by any yardstick one of the most successful arts companies in the UK, felt moved to make its pitch. It is not greedy: it is seeking a million or so to do boring but essential maintenance work, and to extend the Theatre out towards the Thames, creating a new entrance and more retailing space. It would also like to clean its concrete.

In the wider context, the National is worried that government cash, through the Arts Council, might be drying up. This lies behind its decision to present fewer new productions in 1993-94. Between now and next March only one new play will appear in the Olivier, *The Absence of War*, the third part of David Hare's trilogy about modern Britain. (On five Saturdays in the autumn you can see them all on one day for £45). The Lyttelton newcomers are reduced to a revival next month of John Osborne's *Inadmissible Evidence*, and, in the autumn, the re-discovery of the American writer Sophie Treadwell's *Machinal*, described as a feminist thriller and a great hit in the 1920s.

The Cottesloe is busier with *Lord of the Flies*, *Angels in America Part II*, and *Alice in Wonderland* among others. But throughout the arts world at the moment there is unprecedented gloom about the future as companies face the quadruple whammy – falling box office revenue, scarcer sponsorship, less local authority funding, and now the likelihood of Arts Council cuts.

There is unprecedented gloom as companies face a quadruple whammy: falling box office revenue, scarcer sponsorship, less local authority funding and Arts Council cuts

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After years hidden from view, presumably in Christie's south London warehouse, there are rumours that Canova's famed marble of "The Three Graces" is about to make a sensational reappearance.

The Phillips family of Luton Hoo, where the Canova held pride of place in the sculpture gallery, acting through a Cayman Islands investment company, sold the sculpture to the Getty Museum in Malibu for £7.9m early in 1990. But the heritage lobby mounted a spirited fight and Mr Nicholas Ridley put an indefinite block on the export of this prime slice of neo-classical statuary.

His idea was that the reclusive Barclay twins should buy it on the understanding that the Graces went on show at the V&A for 25 years. But the vendors refused to sell it to the Barclays, and presumably planned to offer it again on the market in a more favourable climate.

The Getty withdrew its interest long ago, as did the Barclays, but the Canova has probably held its price pretty well, and if the Cayman Trust has conjured up a new buyer now is the time to apply again for an export licence. The National Heritage Fund is almost down to its last million and faces a cut of £4m in its grant next year. It is in no position to lead the campaign to save the Canova for the UK. The last line of defence is the Heritage Secretary, Mr Peter Brooke. He has few victories to his credit as a Minister so could gain some easy kudos by holding firm and keeping the export stop in place.

Radio/B.A. Young

Cannibalism in Kilburn

THE 1968 Sunday play on Radio 3 was, as I warned, Edward Bond's *Early Morning*, which the Royal Court reckoned a factor in the end of theatre censorship. The scheduled opening, confined to club members, was halted by the police, but some of us were at the dress rehearsal; and in the evening there was a "teach-in" about restrictions in the arts, where I sat between Mick Jagger and Tom Driberg. John Calder was sound on the censorship of literature; but later interventions, by William Gaskill, Bond, David Mercer and John Arden were increasingly unpractical.

As for the play, now adapted for radio by the author and directed by David Benedictus, it seemed less amusing than it did in 1968, so many of its outrages barely being outrages at all today. In Queen Victoria's reign, Disraeli and Prince Albert are planning a revolution. The Queen (Margaret Courtenay) is in love with Florence Nightingale, whom she calls Freddie. The heir to the throne is Prince George, a Siamese twin with his brother Prince Arthur. At first it is fun to hear anachronistic and common talk in the mouths of such folk, but one gets tired of it, and the story, which includes actual and metaphorical cannibalism, in Kilburn High Road and in Heaven, is too unlikely to arouse any real indignation. Later in that year the Lord Chamberlain lost his power of censorship, but not, I suspect, on account of *Early Morning*.

Last night I made what I mean to be my final dip into 1968, Caryl Churchill's half-hour *Identical Twins*. I could not miss this, being one myself. I thought it fair romantic comedy but without much dramatic use of of the identicalness of the twins. As I see it, her point is that, however alike your looks and upbringing, your characters may not be so. Speaking from inside, I think this is on the whole unusual. Both twins were played by Kenneth Haigh, sometimes in unison. John Tydeman directed.

Radio 4's Monday Play, for 1993, was Peter Tinniswood's *The Governor's Consort*, about Lady Edith (an earl's daughter?) sailing out to a fictional south Atlantic island colony where her husband is to be Governor. *En route*, her husband dies and the ship's captain commits suicide, but the unmoved Lady Edith is offered intimacy by the Chief Engineer, a doctor and a waiter. Ultimately her cabin is entered by a figure from her youth; but, as I had guessed halfway through, it was all imagination. Tinniswood is always amusing, and Mary Wimbush, for whom the play was written, was splendid; but this was a bit too easy.

The Prospect of Hanging is a curious theme for Radio 4 on a Sunday evening when the week's news was mainly of murder. But it covered no more than Martyn Wiley's interview with a retired hangman. Syd Dearnley seemed a decent fellow and old prejudices could have been suspended by the end of the programme. He had been a welder in Mansfield, as much interested in crime as any other reader of crime stories, and at age 27 applied for the job of assistant executioner at Lincoln prison. The procedure he described – leg straps, arm straps, hood, lever – was done in a very short time, in one recorded case, 7½ seconds and sounds singularly unbrutal. "I had no qualms," Dearnley said. "It suited me and got me an extra pint or two of beer." It goes on no longer, but lovers of statistics might learn that the rope was 10ft 6in long, and the trap measured 7ft 6in by 4ft 6in. More detail can be found in Charles Duff's *Handbook on Hanging*, even more from James Berry's *My Experiences as an Executioner*, unlikely to be still in print. Neither is liable to follow this programme on Radio 4 on a Sunday evening.

ARTS

Opera house as Art-Object

Max Loppert howls with frustration over missed opportunities at Lyons

LAST weekend the doors of the new Lyons opera house opened at last. Bright splashes of ceremony marked the end of the six long years France's second city has had to endure without one. There were speeches by the mayor and the new Culture Minister. There were two new opera productions, both conducted by the company chief, Kent Nagano: the long-awaited premiere of a Debussy reconstruction and a High-Concept new version of *The Tales of Hoffmann*. On both evenings in the magnificent Hôtel de Ville across the square there were post-performance canapés and champagne for notables, local dignitaries and the specially-invited French and international press.

And in between there were opportunities to examine from many angles the realisation of Jean Nouvel's bold design for a state-of-the-art opera-theatre built up out of the old Lyons opera house. *Très controversée*, the mayor called it. That is, I think, putting it mildly. On the evidence of these first encounters I shall risk describing the new theatre as at once a brilliantly-imagined art-object in itself and, in practical terms, a pretty considerable disaster.

The architect, prevented by on-site limitations of space from enlarging the old theatre, pursued instead the idea of expanding upwards within its frame. The original façade and grand foyer have been preserved; the rest was boldly germinated to provide sharp distinctions of new-versus-old visual contrast. A great half-tunnel roof crowns the edifice; within it a new theatre (1,300 seats, 500 more than in the old) is supported by an elaborate suspension system (the technology of the building is a source of great fascination), and above the auditorium itself there is provision for much-needed administrative and rehearsal space.

The marriage of past and present, of glass panes, metal girders and warm-toned classical columns, is distinctive. Viewed from the surrounding square late at night the whole complex leaves an impression of glamour and confidence of style and purpose. But a theatre is for rather more than street-level gazing. It is for audiences and performers, and for effecting with maximum efficiency and ease the artistic link between them. Nouvel seems not to have understood these most basic of requirements.

The entrance foyer and main passageways *are painted in Stygian shiny* black, as is the theatre auditorium itself. The antechambers are in screaming red, with lighting to match. A single pair of escalators is all there is to lift 1,300 people from entrance to theatre level (the pre-performance crush on both opening evenings was simply frightful); and the connecting stairways are made of bouncing thin perforated metal rather like a lemon zester – just the thing for filtering footwear dirt and dust onto the heads of people below.

The sense of rat-in-a-psychologist's-cage unease induced by the blanketing colours of death and emergency is completed by arrival in one's narrow seat, with its insufficient leg room and cold metal arm-rests. The reasoning behind the black-and-red ordinance was that this would force total concentration on the stage; what it induces instead – in my case at least – are feelings of claustrophobia and irrational loathing of all architects. Before the Saturday *Hoffmann* there were cries from the upper tiers of "Go ahead, we can't see anything anyway!", which raised again the already vexed topic of upper-level sightlines; and a Deep Throat from the chorus told me of physically nightmarish conditions backstage.

The new theatre has cost under FFrs 480m – peanuts compared with the sums lavished on the Bastille. It scores over the Paris theatre in one crucial respect – its well-balanced acoustics. For the rest, and with the Paris mistakes in mind, one wanted to howl with frustration at the waste all over again of time, effort and precious resources. When the building's various ills finally prove intolerable, as they soon must, one can only hope that action both swift and clear-minded will be taken to heal them.

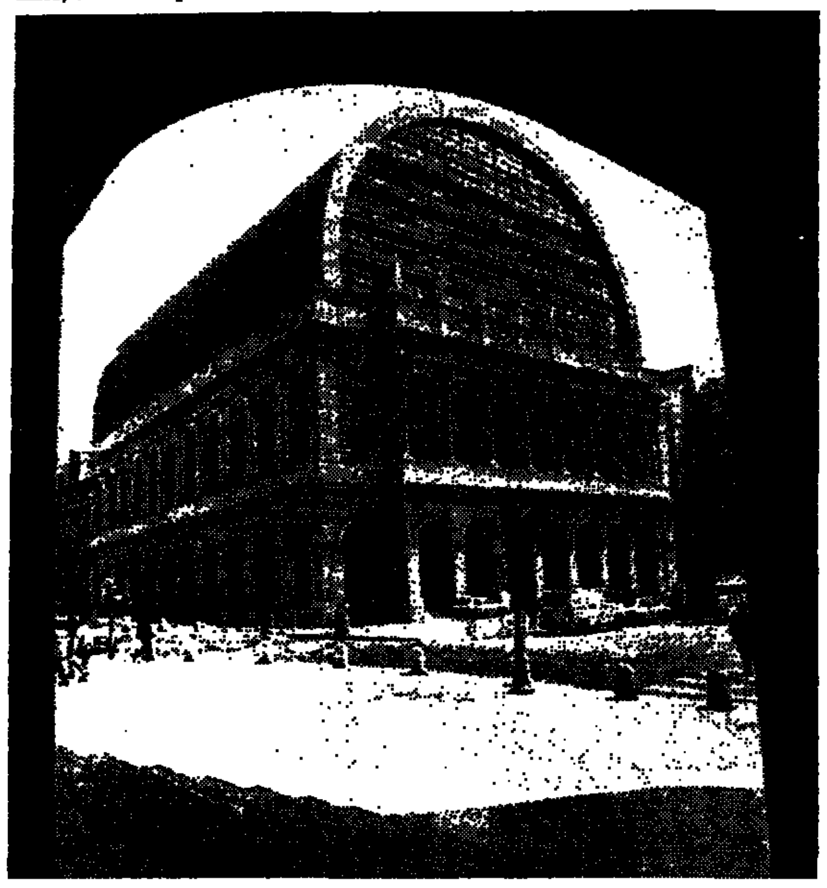
Given all this, and the various necessary feats of co-ordination required to put on two operas and a new *Coppelia* in a brand-new opera house, it was to Nagano's great credit that musically the two opera productions were of a standard to make the Lyons visit worthwhile *malgré tout*. *Rodrigue et Chimène* is the Grand Opera, on a flatulently verbose libretto by the playwright Catulle Mendès distantly related to Corneille's *Le Cid*, that Debussy began (in 1888) but never completed. It has been pieced together from various piano-score sources by the Debussy scholar Richard Langham Smith, with textual help from Georges Beck; Lyons commissioned the Russian composer Edison Denisov to score the three substantial acts thus created.

The result is not a complete opera (Langham Smith looks forward to the day when a putative fourth act materialises) nor even a "real" opera (pace, timing and narrative sequence are clumsy). But musically it is two hours of continuous richness, a pre-*Pelléas* web woven out of the influences of *Parsifal*, Mussorgsky and Massenet, as well as the language of Debussy's own early songs and *Blessed Damozel* cantata. It affords a profound new insight into the composer at a crucial turning-point in his artistic development.

Hearing it as played by the excellent Opéra de Lyon orchestra under Nagano's lucid baton, and sung by a strong cast (Laurence Dale and Donna Brown in the title roles, Jean-Philippe Courtis and Jules Bastin as their warring fathers) and the no less strong Lyons chorus, was a pleasure. Seeing it in a grey-toned, stiff-gaited production by Georges Lavaudant was rather less so – this was hardly the spirit-lifting piece of work needed to relieve the gloom of the theatre.

But totally, horribly faithful to the worst aspects of the architectural enterprise was the unbroken two-hour version of *Hoffmann* the following evening. Comparable with the theatre, this was Opera as Art-Object: cut-down Offenbach devised by the Lyons dramaturge Michel Vittoz, produced by the company boss, Louis Erlo, and re-titled ... *Des Contes d'Hoffmann* (note the dots and the "des").

A more frustrating exercise in "structuralist" intellectual posturing of the French persuasion would be hard to imagine. The setting was that weariest of modern-opera clichés, the mad-house. Olympia was a crippled inmate released from her wheelchair and callipers during the Doll Song, a gruesome scene. Drawing high-fashion operatic frisson from presentations of madness and physical handicap is a base pursuit. A lesser cause of dismay was the waste of Nagano, the orchestra and a classy cast: the sympathetic young tenor Daniel Galvez-Vallejo (Hoffmann), Barbara Hendricks (Antonia), Nathalie Dessay (Olympia), Brigitte Balleys (Nicklaus) and the great José van Dam as nemesis-figure.



Jean Nouvel's brilliantly imagined scheme which is, in practical terms, a disaster

Alastair Muir

Lear and the Fool: Robert Stephens and Ian Hughes

A Noble Lear

Malcolm Rutherford hails the latest production at Stratford

ADRIAN Noble has emerged at the best Shakespeare director of our time. His *King Lear* at Stratford is every bit as good as the *Hamlet* that he introduced at the Barbican last year. It is an even greater achievement because *Lear* is a more difficult play. We should also remember his recent productions of *Henry IV* and *The Winter's Tale*.

Noble works by seeing a Shakespeare play as a whole. He stands back and looks at the entire environment. No character is too small not to be developed, though without gimmicks; few lines are as irrelevant or obscure enough to be cut. His *Hamlet* was as much a play about the court and society as about Hamlet the man. Even in *Lear* we notice that there are long periods when the king is off-stage. The action does not slow, nor the interest wane, as a result.

The difficulty with *King Lear* is the absence of sympathy with the main protagonists. It is not naturally a warm play. Noble has overcome that by giving the title role to Robert Stephens, an actor whom he had already brought back into the mainstream as Falstaff in *Henry IV*.

The gamble, if such it was, has paid off in gold. Stephens starts well and gets steadily better as he goes on, like a man who knows how to conserve his energy to the end, though not without electric flashes in between. At the beginning he is in a long, smart, scarlet cloak, the colour worn by his retainers. He is just as impressive in pyjamas and dressing gown in a hospital bed in Act V. For this is a Lear who fears he is going mad, knows he is going mad, does go mad and comes out serene. The transitions are most marvellously paced.

Stephens has a distinctive voice with the ever-so-slight suspicion of a lisp. He also has a beautiful smile, which he uses sometimes for the audience, sometimes for the cast as though suggesting he can see through it all. His presence is huge. At times, when peering at the audience, he makes the Stratford stage seem small. The voice is used sparingly: often he seems to be barely whispering, yet there is no chance of failing to hear him. Lear's lines can seldom have been better spoken. Above all, he turns the king into a sympathetic figure whom people can love, as Cordelia does.

Here is another Noble masterstroke. It is plain from the first scene when Cordelia declines to go along with her father's division of the kingdom that she is already regarded as a powerful personality at the court, way above her sisters. The bond between Lear and Abigail McKern's Cordelia is thus established at once. That is what holds the drama together.

Meanwhile there is the Fool, played with exquisite sensitivity by Ian Hughes. Lear's affection for him is deep and *vice-versa*, though in the latter case it is tinged with fear and foreboding. Again the symmetry of the play emerges. The Fool is there when Cordelia is not.

Yet another mark of Noble's direction is the way he handles Simon Russell Beale as Edgar. Normally Beale is a mannered actor whom some praise highly while others demur. Here he is disciplined and without affectation, part of the play, not the act itself. In short, he is absolutely right. Noble had the same salutary effect on Kenneth Branagh in *Hamlet*.

One could scatter praise all round. Goneril and Regan, Janet Dale and Jenny Quayle, would not expect much of it since Noble makes no excuses for their behaviour. Nevertheless, they play the bitches that they are with great competence. It is not their fault that this production is on the side of the angels.

Look at David Calder's decent, loyal Kent, and the plain, blunt David Bradely as Gloucester. They are both gems. Indeed the only character Noble has trouble with is Albany, but the reason, I suspect, is that he is the least satisfactory figure in the play: never properly developed.

The set, designed by Anthony Ward, is cosmic, as it should be: a largely abstract backdrop with changing colours and images, and a huge suspended globe, sometimes the moon, sometimes the earth looking as if Lear were bearing it on his shoulders. To keep a sense of perspective, across the floor is a map of Britain, subsequently torn up. Of course, the globe cracks. No symbolism is missed, and none is overdone. This *Lear* and Robert Stephens's Lear are magnificent.

Offspring of Thatcherism

ON THE day after Mrs Thatcher announced her resignation from office as Prime Minister, I was teaching history to a group of 18-year-olds; and I asked them to discuss what the Thatcher years had meant to them. They all carried on about the iniquities of the poll tax, were otherwise more or less 50/50 for and against her achievements, and all remarked that they had no memories (and little knowledge) of politics before Thatcherism.

In this new work, Trevor Griffiths charts the lives of seven children who are several years older – aged 15 when Thatcher became Prime Minister – from 1979 to 1993 (plus a prologue in 1973 and an epilogue in 1999). *Thatcher's Children* is often entertaining, and for anyone in the audience aged 30 or more it provides the incidental fun of connecting the events onstage with those of our own lives. (I too received a Kissogram in 1983.)

But this project – one offspring of the Arts Council's "Be Bold" scheme, which has been lending a new spurt to several regional theatres – is fraught with problems. Are these really Thatcher's children? On the brink of leaving school in 1979, their minds have surely been formed chiefly by years of Labour governments. And how to handle seven separate lives over thirty years? Griffiths's text is full of short episodes that should connect more seamlessly than they do in Andrew Hay's clunky, messy staging, which makes a long evening longer with jerky scene-breaks, semi-audible audiotape, uninteresting lighting.

Each of Griffiths's characters is complex, 3-D, surprising (and well acted). These "Yorkshire" children are an engagingly motley group: Afro-Caribbean, Pakistani, Welsh, Jewish, *et al.* Hester grows up to be a black lesbian power-dressing Thatcher-supporter; Daisy becomes a left-wing journalist; Sandra is beaten by her father and, later, her husband; Mona takes to prostitution; "Girly" becomes a pusher; Wayne becomes a cop (but goes to jail for killing his baby); Tom keeps trying to shake off his conformist middle-class roots. Hard, however, to believe that they could all have been pals even at school; and impossible that they should all keep in touch 10 or more years later.

Unreal though the set-up is, it proceeds with the air of a documentary – a series of short clips taken from separate lives, adding up to a complex picture. Yet not complex enough for its subject; though Griffiths makes Hester (the black lesbian) interesting to us, her Thatcherism is the least interesting, and the least "felt", thing about her. The intense conviction to which Mrs Thatcher inspired her supporters is absent. The evils of Thatcher's Britain, however, are very present: race riots, drugs, Clause 28, child abuse, police brutality, the me-me-me mentality. Yes, quite a litany – and it *omits* the poll tax! – but highly partial.

At its most obvious, *Thatcher's Children* is just a crude socialist documentary – is virtually Agitprop. But its many strands include some poetry, much comedy, and memorable imagery. You remember afterwards the plaits of hair that the Pakistani boy cuts off in an effort to conform; the black prostitute who, while masturbating a customer, remarks "Where I come from, it's all hands to t'pump"; the girl who remembers her Jewish grandmother's advice that "Truth swims, but lies float"; and more. Nonetheless, it only flickers fitfully into life. Though you admire its ambition, you cannot miss the fact that it has bitten off more than it can chew.

Alastair Macaulay

At the Bristol, Old Vic, until June 12

Africa in Newbury

THERE are theatres that you long to return to, regardless of the plays you see performed in them. On this, my second visit to the Watermill Theatre near Newbury, I was moved to find all as I had remembered: the mill-stream running fast round two sides of the little theatre, dozens of fish plopping out of the water, birdsong loud and varied. Inside the old group of redbrick buildings, the pleasant bar and restaurant (pity about the canned music), and – *just* before you enter the auditorium – a view of water hurtling past the millwheel.

Such settings confirm a notion of traditional England. How the Watermill's directors must be tempted to continue that notion with a nostalgic, cosy, repertory. The thrill of this play, however, is quite the opposite. Athol Fugard's *My Children! My Africa!* – new in 1989, seen at the National Theatre in 1990 – plunges an audience straight into South Africa. Two different black generations are in conflict over the pursuit of racial equality. The teacher, Mr M., believes in the peaceable route of education; Thami, his brightest student, is involved in more violent protest.

The main thrust of the play is in their dialectic, with frequently strong results. One snag, however: either man is mainly just a type, there to flesh out the debate within black South Africa. A play lives in its detail; Fugard gives us too little detail about these two. And too much rhetoric, with big Hollywood lines like "What is wrong with this world that it wants to waste you all like that? My children! My Africa!" When Mr M. tells Thami briefly of his loneliness when Thami had deserted him for the new protest movement, we get a psychological insight that is welcome but rare.

Between these two, however, there is the bright white girl Isabel. She beats Thami in public debate, she enters into an English-literature contest as his partner, she quickly learns to love Mr M. Although she too is there to embody another aspect of the debate, and to represent thousands like her, Fugard makes her an individual. We know of her reluctance to lose, her thrill in success, her ambitions to be a journalist, her rapacious eagerness for life and understanding.

The imbalance between the roles may have been affected by certain small cuts taken (for the sake of political accuracy) by the director Alby James and his South African associate Molefé Pheto. This production is, in other respects, gripping. Burt Caesar and Len Trusty have been perfectly chosen for Mr M and Thami for vocal and physical reasons. Mairéad Carty lights up Isabel from within straightaway. She knows how Isabel breathes: a little two-note giggle that punctuates her talk, a little outward puff through the nostrils that is part of her excitement. Too bad that Fugard ends the play by giving her one of the play's more corny Bette Davis lines ("The future is still ours, Mr M"). I prefer to recall her angry tears as she talks of her mother's repression and ignorance, because they do more to make South Africa come to life on a Berkshire stage.

A.M.

Watermill, Bagnor, Newbury, until June 12

Poetry in Performance/**Michael Glover**

A Romantic through and through

SENATOR W.B. Yeats once referred to himself as a "70-year-old smiling public man" with the easy self-importance of one accustomed to being feted as Ireland's greatest poet. A man with an equal claim to public eminence is Sir Stephen Spender CBE, grand old survivor of the 1930s, that "low dishonest decade" in Auden's famous phrase, poet, critic and cultural ambassador extraordinary, who gave a rare reading in London this week as part of the Poetry Library's 40th birthday celebrations.

The difference between the demeanours of the two men was striking. Yeats was said to be forever striking poses; Spender, for all his great height (6ft 5in before he began to stoop a little), resembles, in another poet's words, some "infinitely gentle, infinitely suffering thing" – shy, vulnerable, entirely at our mercy.

The tragedy of Spender's life is that, although he has always regarded himself as a poet *in essence*, it is not what he has been best at. The *Journals* and his autobiography, *World within World*, are his finest achievements. It was not therefore at all surprising that, setting aside his life's work as a published poet, Spender should spend his time reading new poems, as if to say: My reputation is still to come ... it was a decision of gentle defiance.

Poetry is in the service of language, and language is in such a fragmented state nowadays that poets often seem unsure in what language they ought to be writing. Stephen Spender's poetry has no such doubts. He has been consistently faithful to a vocabulary and a rhetorical manner that link him directly with the Romantic tradition. It is a poetry that cherishes the uniqueness of the I, and passionately celebrates the realm of the personal as the first and last bulwark against Chaos.

A number of the poems were versified notes from his diary, including a striking portrait of his friend, W.H. Auden. In 1970 Auden had just spent a semester or two teaching students at Milwaukee, and he shared his impressions of those students, and of himself teaching the students, with his old friend. "He shares his distance from them like a joke", writes Spender. For him, that would be quite unimaginable.

Paul Durcan, who was reading at the South Bank this week from his new collection, *A Snail in My Prime*, usually wears red shirts – suggestive of seditious opinions – when he performs in public, and rolls up his sleeves to remind us that the reading of poetry is a real job. And, like any other task, it is not to be taken too seriously. Durcan is one of Ireland's most popular poets, a man given to playing the role of the Holy Fool in public, a light-fingered scourge of the medieval mysteries of Irish catholicism and much else; a poet whose performances give his work its unique flavour.

The success of a Durcan reading depends upon stillness, silence and a brooding darkness over the auditorium – suggestive of mock-sanctity. What the audience registers are the head and the speaking voice. Nothing else matters. It is the mobile face, a tragi-comedy mask of a face, that contains all the humour – and all the anguish. The voice, a rich, velvety Co Mayo, creeps up unawares like a stranger approaching from behind and, from time to time, inflicts a shockingly savage wound. Every word of every poem matters.

There are three important facial characteristics: the raising of a single eyebrow, which indicates a sudden fit of childish indignation; a furious working of the lips; and a flick of the eyes heavenward, which means: God alone has the key to this mess of potage that we miscall *civilised human life upon earth!* But almost best of all is a hopeless lolling of the head to left or right, which says: "This is as much as can be said. I am washed clean of all hope, now and forever more."

A Snail in My Prime. Paul Durcan £7.99 and £16, 272 pp. Harvill

Chess No 975: Bf8-e7-d8-a5-e1-f2-g1-h2 and 9 g4 mate. Black's moves are forced.

هكذا من الأصل

TELEVISION

SATURDAY

BBC1

7.00 Ceefax Pages. 7.25 News. 7.30 Pinocchio. 7.50 The All-New Popeye Show. 8.10 The Girl from Tomorrow. 8.35 Potsworth and Co. 9.00 Parallel 9.

10.55 Film: Pardners. Comedy Western, starring Dean Martin, Jerry Lewis and Lori Nelson (1956).
12.27 Weather.
12.30 Grandstand. Introduced by Steve Rider. Including 12.35 Athletics: The International Festival of Running from Aberdeen. The men's 5,000m features Olympic champion Khalid Skah and British one-mile world record holder Steve Cram. 1.00 News. 1.05 Athletics: The men's mile. Commentary by David Coleman and Brendan Foster. 1.15 Motor Sport: The British Touring Car Championship from Donington. 1.35 Athletics: The women's 5,000m, featuring Scotland's top two female athletes, Liz McColgan and Yvonne Murray. 1.55 Racing from Lingfield Park: The 2.00 Daily Mail Dream Cottage Game Conditions Stakes. 2.05 Showjumping: The British Nations Cup from Hickstead. Commentary by Stephen Hadley and Michael Tucker. 2.25 Racing: The 2.30 Daily Mail Handicap Stakes. 2.35 Showjumping. 2.55 Racing: The Daily Mail Leisure Stakes. Peter O'Sullevan, Julian Wilson and Jimmy Lindley commentate. 3.05 Showjumping. 4.55 Final Score.
5.05 News.
5.15 Regional News and Sport.
5.20 Jim'll Fix It.
5.55 The Main Event: The Malones from Co Durham team up with Michelle Collins, Adam Woodyatt and Michelle Gayle to take on the Musty family from Shropshire, helped by Steve Wright, Liz Kershaw and Bruno Brookes.
6.45 Film: Spacecamp. Outer-space adventure. Youngsters attending an academy for would-be astronauts find themselves accidentally launched into orbit (1986).
8.30 Birds of a Feather. Comedy, starring Linda Robson, Pauline Quirke and Lesley Joseph.
9.00 Westbeach. Alex takes revenge on her unfaithful husband, and Alan opens a can of worms when he proposes a money-saving scheme to the council.
9.50 News and Sport; Weather.
10.10 That's Life!
10.50 Film: Legal Eagles. Romantic comedy, starring Robert Redford, Debra Winger, Daryl Hannah, Brian Dennehy and Terence Stamp (1986).
12.45 Weather.
12.50 Close.

BBC2

6.40 Open University.

3.00 Animation Now. A factory boss alienates his workforce.
3.10 Film: Cimarron. Epic account of a family of homesteaders carving out a new life on the frontiers of Oklahoma in the late nineteenth century. Starring Glenn Ford, Maria Schell, Anne Baxter and Russ Tamblyn (1960).
5.35 Late Again.
6.20 Scrutiny. The work of the House of Commons Select Committees.
6.50 News and Sport; Weather.
7.05 Dusty Springfield. Tom Jones joins Dusty in an episode from her 1960s series.
7.30 Fight Again. Roy Hattersley continues his account of the Labour Party's fortunes with a look at the 1980s, when Labour struggled to respond to the miners' strike and the triumph of Thatcherism. The party began a long haul back to respectability under the leadership of Neil Kinnock – but did it betray its ideals in the struggle to become electable?
8.00 Hypotheticals. The final programme in which experts analyse imaginary legal scenarios deals with business ethics and corporate mismanagement. Leading British businessmen, including Sir Clive Sinclair, Nicholas Goodison and John Quinton, debate how best to handle a case of company fraud in which the chairman is the chief suspect. Professor Arthur Miller from the Harvard Law School chairs the proceedings.
9.00 Have I Got News for You. Sir David Steel and comedian Mark Thomas join Ian Hislop and Paul Merton in the satirical news quiz. Repeat of Friday night's programme.
9.30 The Second Heimat: A New Generation. Clarissa needs money for an abortion, and Hermann is delighted when he unexpectedly meets Schnussen, the girl who taught him how to kiss. Helga finds the trauma of recent events too much for her and takes a drastic course of action. Edgar Reitz's epic continues, starring Henry Arnold and Salome Kammer (English subtitles).
11.20 Film: Compulsion. Powerful account of a the Leopold and Loeb murder case in in which two students kidnapped and killed a young boy to prove their intellectual superiority. Starring Orson Welles, Diane Varsi, Dean Stockwell and Bradford Dillman (1959).
1.05 Close.

LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Movies, Movies, Movies.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 The Lions Tour. Rugby Union highlights of the British Lions v North Auckland.
2.10 Wanted Dead or Alive. Josh falls foul of a couple of killers. Starring Steve McQueen.
2.40 Daniel Boone. Daniel becomes obsessed with moving to the wilderness of Kentucky.
3.40 WCW Worldwide Wrestling.
4.45 ITN News and Results; Weather.
5.00 London Today and Sport; Weather.
5.05 Cartoon Time.
5.20 Film: Combat Academy. The Police Academy formula in military garb. Two high school pranksters go one joke too far and end up with a one-year "sentence" at military school. Comedy, starring Wally Ward and Keith Gordon, with Jamie Farr and John Ratzenberger (TVM 1986).
7.00 Stars in Their Eyes. New series. Matthew Kelly invites five aspiring vocalists to take to the stage in the guise of their singing heroes.
7.30 The Brian Conley Show. Comedy with the award-winning entertainer.
8.00 The Bill. CID launches a desperate search for a missing youngster. Pc Garfield puts his powers of persuasion to the test when he mediates between an outraged motorist and a private clamping firm.
8.30 London's Burning. The continuing romance between George and Julia causes tension at Blackwall. Charisma finds himself with an unwelcome house guest after Sicknote is thrown out of his home. Glen Murphy, Gerard Horan, Richard Walsh and Mark Arden star.
9.30 Film: Someone to Watch Over Me. An inexperienced New York detective is assigned to protect a socialite who witnessed a brutal murder, only to become obsessed by his glamorous charge. Stylish thriller, starring Tom Berenger and Mimi Rogers. (1987).
11.15 ITN News; Weather.
11.30 London Weather.
11.35 The Good Sex Guide. Margi Clark presents a comical mix of interviews and expert advice.
12.05 291 Club.
1.05 The Big E.; ITN News Headlines.
2.05 Basketball.; ITN News Headlines.
3.00 New Music.
3.30 The Big Fight - Live!
4.30 BPM.; Night Shift.

CHANNEL4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 Sign On. 12.30 pm Kasak.

1.00 Film: Leave Her to Heaven. Melodrama about an unbalanced bride whose insane jealousy leads her to plot the death of those she suspects of alienating her husband's affections. Starring Gene Tierney, Cornel Wilde, Jeanne Crain and Vincent Price (1945).
3.00 Racing from Newmarket and The Curragh. From Newmarket: Coverage of the 3.10 Bunty Scrope Maiden Stakes, 3.40 The Coral Handicap, 4.10 The Hambro Countrywide Charlotte Fillies Stakes, and the 4.40 Harcros Handicap. From the Curragh: Coverage of the 3.55 Irish 1,000 Guineas.
5.05 Brookside. Omnibus edition.
6.30 Right to Reply. Viewers' reports and ideas about TV; News Summary.
7.00 A Week in Politics. Vincent Hanna and Andrew Rawnsley take a look at the week's political news.
8.00 Towards an Unknown Land. Film shown as a tribute to writer and explorer Dame Freya Stark, who died earlier this month. The programme recounts her 1982 trek through the Himalayan mountains to Tibet, and reveals her abiding fascination with the lands of western and central Asia.
9.00 The Beiderbecke Tapes. Final part. Jill and Trevor are hotly pursued by the security forces as their quest takes them to Holland and Scotland. Starring James Bolam and Barbara Flynn. Repeat.
10.30 Drop the Dead Donkey. Sally decides to sue when a newspaper claims she is unpopular with her colleagues. Comedy, starring Victoria Wicks and Robert Hedges. Repeat.
11.05 The Queen and Us. Jon Snow reports from today's conference on the future of the monarchy. The debate looks at the role of the monarchy as an institution, its relationship to other institutions of state and its significance to the British people.
1.00 Evening Shade. Herman creates havoc in the Newton household when he wins "A Weekend with Coach Newton". Burt Reynolds, Michael Jeter and Marilu Henner star.
1.30 The Harp in the South. Concluding episode of the series following the lives of an Irish-Australian family. Roie's baby is born, while Grandma's health fades daily.
2.25 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 1.05 Anglia News. 2.10 Cartoon. 2.20 Worldwide Wrestling. 3.00 The Dog Who Stopped the War. (1986) 5.00 Anglia News and Sport 11.30 Anglia Weather

BORDER: 1.05 Border News. 2.10 Spanish Goals Extra. 2.30 Lacy and the Mississippi Queen. (TVM 1978) 3.55 Superstars of Wrestling. 5.00 Border News and Weather 5.05 Sports Results.

CENTRAL: 1.05 Central News 2.10 Classic Candid Camera. 2.40 The Munsters Today. 3.05 The A-Team. 3.55 WCW Worldwide Wrestling. 5.00 Central News 11.30 Local Weather.

CHANNEL: 12.30 The Munsters Today. 1.05 Channel Diary. 2.10 Nigel Mansell's IndyCar '93. 2.40 Big Foot Rides Again. 4.00 WCW Worldwide Wrestling. 5.00 Channel News.

GRAMPIAN: 12.30 Telefios. 1.05 Grampian Headlines 2.10 Movies, Movies, Movies. 2.40 Police News. 2.45 The A-Team. 3.45 Cuirm Cloinne 3.55 Tomas Tortasch's A Charaidean. 4.00 WCW Worldwide Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 5.10 Cuirm Cloinne. 11.30 Grampian Weather.

GRANADA: 1.05 Granada News 2.10 Spanish Goals Extra. 2.30 Lacy and the Mississippi Queen. (TVM 1978) 3.55 Superstars of Wrestling. 5.00 Granada News

HTV: 1.05 HTV News. 2.10 Nigel Mansell's IndyCar '93. 2.40 Out of Limits. 3.00 His Majesty O'Keefe. (1954) 5.00 HTV News. 11.30 HTV Weather.

HTV Wales as HTV except: 3.00 Monster Trucks. 3.45 Celtic Challenge.

MERIDIAN: 12.30 The Munsters Today. 1.05 Meridian News. 2.10 Nigel Mansell's IndyCar '93. 2.40 Big Foot Rides Again. 4.00 WCW Worldwide Wrestling. 5.00 Meridian News.

SCOTTISH: 1.05 Scotland Today. 2.10 Rock Sport. 2.30 Telefios. 3.00 Starting from Scratch. 3.30 Della. (1964) 5.00 Scotland Today 5.10 The Box. 11.30 Scottish Weather. 11.35 Scotch and Irish.

TYNE TEES: 1.05 Tyne Tees News. 2.10 The Magnificent Showman. (1964) 5.00 Tyne Tees Saturday

ULSTER: 1.05 UTV Live Lunchtime News 2.10 Nigel Mansell's IndyCar '93. 2.40 The A-Team. 3.35 Cartoon. 3.50 Wrestling. 5.00 UTV Live Early Evening News 11.30 UTV Live Headlines

WESTCOUNTRY: 1.05 Westcountry Weekend Latest. 2.10 Disney's Sports Special. 3.05 Cartoon. 3.15 Baywatch. 4.15 Nigel Mansell's IndyCar '93. 5.00 Westcountry Weekend Latest.

YORKSHIRE: 1.05 Calendar News. 2.10 The Magnificent Showman. (1964) 5.00 Calendar News.

S4C Wales as Channel 4 except:- 7.00 Early Morning. 12.30 The Wonder Years. 1.00 A King Among Pork-Knockers. 2.00 Cynhadledd Y Blaid Lafur 1993. 6.30 The Magic Roundabout. 6.35 Now You're Talking. 7.00 Newyddion nos Sadwrn. 7.20 Hwyl Y Noson Lawen. 7.50 Yn Dy Ddwbla. 8.20 Rygbi. 9.00 Wet Wet Wet: Live at the Royal Albert Hall. 10.00 Europe Express.

SUNDAY

BBC1

7.00 Ceefax Pages. 7.30 Wiz Bang. 7.40 Charlie Chalk. 7.55 Playdays. 8.15 Breakfast with Frost. 9.15 In Touch with Healing. 9.30 This is the Day Goes Coast to Coast. 10.00 See Hear! 10.30 Holiday Outings.

10.40 International Cricket. England v Australia. Live coverage of the third and final 55-over match from Lord's.
12.30 CountryFile. Dave Lee Travis joins John Craven to announce the winners of the BBC's environmental award scheme, The Big Green One.
12.55 Weather for the Week Ahead.
1.00 News.
1.03 Cartoon Double Bill.
1.15 EastEnders.
2.15 The Monaco Grand Prix. Live coverage of the full race from Monte Carlo, with commentary by Murray Walker, James Hunt and Jonathan Palmer.
4.30 Biteback. Sue Lawley gives BBC viewers a chance to speak out.
5.10 Droopy Triple Bill.
5.35 Masterchef. Newsreader Martyn Lewis and food writer Leslie Forbes judge today's culinary delights.
6.10 News; Weather.
6.25 Praise Be! In the final programme of the series, Thora Hird visits Haworth in Yorkshire to see the famous Worth Valley Steam Railway.
7.00 Film: Baby Boom. A businesswoman's life is disrupted when the death of a cousin leaves her holding the baby. Comedy, starring Diane Keaton and Harold Ramis (1987).
8.45 News; Weather.
9.00 A Question of Guilt. Cherie Lunghi stars in this feature-length crime drama adapted from Frances Fyfield's novel. A crown prosecutor encounters problems in her attempts to convict a woman as an accessory to murder. With Derrick O'Connor, Gillian Barge, Peter Jeffrey, Celia Imrie and Malcolm Sinclair.
10.40 Everyman. For 25 years, a Catholic priest in Birmingham sexually abused young children from his parish. He was imprisoned for seven-and-a-half years in March. Now some of his victims speak for the first time, and ask why it took the church so long to find out about his activities.
11.20 Time of Her Life. How women can deal with the physical affects of the menopause, and a look at hormone replacement therapy.
11.50 International Cricket. England v Australia. Highlights of the third and final match from Lord's.
12.50 Weather.
12.55 Close.

BBC2

8.15 Open University. 9.10 Thundercats. 9.30 Jonny Briggs. 9.50 The Movie Game. 10.15 Rugrats. 10.40 Grange Hill. 11.00 Blue Peter Omnibus. 11.45 The O Zone. 12.00 Around Westminster.

12.30 Sunday Grandstand. Introduced by Steve Rider. Including 12.30 Cricket: England v Australia. Coverage of the third and final one-day international from Lord's. Commentary by Richie Benaud, Jack Bannister, Ray Illingworth and Geoff Boycott. 1.05 Showjumping: The Speed Grand Prix from Hickstead, with Ireland's Robert Splaine heading the list of top names. 1.35 Cricket: Continued coverage from Lord's. 4.30 Showjumping: The British Grand Prix. Jos Lansink of the Netherlands defends his title. Stephen Hadley and Michael Tucker commentate. 4.50 Cricket: Further coverage.
7.30 The Money Programme. Academics Patrick Minford and Andrew Britton, two of the seven men assigned to advise the Treasury on economic policy, discuss the country's prospects for recovery.
8.05 Nightshift. Preview of a series of five broadcasts beginning tonight which observe nocturnal animals and their behaviour.
8.10 Who Killed Dixon? A look back over the past 20 years of police history, identifying key moments which have contributed to the decline of public confidence in the force. As crime rates rise and miscarriages of justice are uncovered, fresh confidence-building measures are urgently needed. In the late 1970s the new Conservative government increased funding – how was the money spent and what went wrong?
9.00 Nightshift. The cameras are poised as the night-time creatures begin to stir.
9.10 Monaco Grand Prix. Highlights of today's action from Monte Carlo.
9.45 Nightshift. Jessica Holm, Fergus Keeling and Nick Davies use hidden cameras and microphones to spy on nocturnal animals living on a remote farm and in a city garden. Will the live broadcast provide an insight into the night-time habits of wildlife, or will the animals sense they are being watched and shy away?
10.15 Film: Serpico. Al Pacino stars in this tough police thriller based on the true story of an undercover New York cop who sets out to expose corruption among his colleagues. Directed by Sidney Lumet (1973).
12.25 Nightshift. Live update.
12.40 Close.

LWT

6.00 GMTV. 9.25 The Big Fight. 10.15 Heidi. 10.45 Link. 11.00 Morning Worship. 12.00 This Sunday. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.
1.10 Sunday Supplement. Eve Pollard of The Sunday Express joins Edwina Currie to discuss the news. Ex-Tottenham Hotspur striker Garth Crooks reviews the sports stories.
2.00 Mistral's Daughter. Skeletons in the family closet threaten to destroy Mistral's relationship with his daughter.
5.00 Stately Secrets. Chatsworth House in Derbyshire.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Watching.
7.00 Surprise, Surprise. With Gladiators Wolf and Shadow, Jim Bowen, The Troggs and Claire Rayner.
8.00 Heartbeat. Pc Nick Rowan uncovers a local scandal when an Aidensfield housewife tries to commit suicide. While recovering in hospital, she claims her husband is imprisoned for a crime he didn't commit - prompting the Yorkshire policeman to investigate. Nick Berry, Niamh Cusack, Derek Fowlds and Bill Maynard star.
9.00 Jeeves and Wooster. Romantic problems loom for Bertie after an old flame arrives in Manhattan and announces her intentions to marry him – spelling the end of his carefree bachelor days and trouble for a business plan involving Lord Worplesden. Can Jeeves come to the rescue? Comedy, starring Hugh Laurie, Stephen Fry, Francesca Folan and Frederick Treves.
10.00 Aspel and Company. With rock 'n' roll legend Jerry Lee Lewis and funnyman Les Dawson.
10.45 Spitting Image. Latex lampoonery and biting satire.
11.15 ITN News; Weather.
11.30 London Weather.
11.35 Deathwish: Surviving Suicide. Craig Charles presents a special report on suicide – which annually accounts for more than 5,000 deaths in Britain. He talks to families mourning lost relatives, a tube train driver who has run over 13 people trying to end their lives, and interviews people who have made failed suicide bids, including a Shropshire farmer who disfigured himself with a shotgun.
1.05 Cue the Music; ITN News Headlines.
2.05 TXT.
3.00 Coach; ITN News Headlines.
3.30 Snooker; Stir Fry.

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 The Lone Ranger. 10.45 Land of the Giants. 11.45 Little House on the Prairie.

1.10 Film: Pin Up Girl. World War Two musical, starring Betty Grable as a secretary who dreams of becoming an entertainer. With John Harvey and Martha Raye (1944).
2.45 Football Italia.
5.00 Dare the Wildest River.
5.25 News Summary.
5.30 The Next Big Thing. FMB have a birthday surprise for guitarist Rags as they set off for a weekend gig.
6.00 Moviewatch. From the Cannes Film Festival. The reviewers cast their eyes over Cliffhanger, starring Sylvester Stallone, Falling Down, with Michael Douglas, and Body Snatchers, based on the classic Invasion of the Body Snatchers. Johnny Vaughn follows three young-but-broke British film-makers as they try to clinch an elusive deal in the resort.
6.30 The Wonder Years.
7.00 Wild India. The national parks of India, home to Asiatic lions, tigers and one-horned rhinoceroses. From the Holy Land to the Bay of Bengal, these animals were almost hunted to extinction by the Great Moghul emperors and later by the Maharajahs and the British. But ironically, it was hunters who eventually hung up their guns to become ardent conservationists.
8.00 The Long Summer. Alan Bennett looks at the impact of the wireless on Britain during the inter-war years, and follows the development of broadcasting, from the whispering crystal set to the all-mains radio.
8.30 Streetlegal.
9.00 Film: Things Change. Witty comedy, starring Don Ameche as an elderly Italian shoeshine man living in Chicago who is pressured into confessing to a murder committed by a Mafia don. With Mike Nussbaum and Joe Mantegna (1988).
10.55 Red Empire. The end of World War Two saw Stalin's empire equal in power to that of the days of the Tsar. But his death brought about a power struggle which claimed Beria's life, saw Kruschev's ascendancy and led to the inevitable denunciation of Stalin, whose name was virtually removed from the history books.
12.00 Film: The Runner. The story of a young Iranian boy determined to expand his horizons. Drama, starring Majid Nirumand (1984).(English subtitles).
1.40 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 10.15 The Littlest Hobo. 12.30 Countrywide. 12.55 Anglia News. 2.00 Faith and Music. 2.30 Pete's Dragon. (1977) 5.00 It's a Living. 5.30 Bullseye. 6.00 Anglia News on Sunday 11.30 Regional Weather.

BORDER: 10.15 The Littlest Hobo. 12.30 Gardener's Diary. 12.55 Border News. 2.00 Faith and Music. 2.30 The Munsters Today. 3.00 Robbery. (1967) 5.05 Highway to Heaven. 6.00 The Border Week. 6.15 Border News. 10.00 Spitting Image. 10.30 Aspel and Company.

CENTRAL: 10.15 The Littlest Hobo. 12.30 Central Newsweek. 12.55 Central News 2.00 Take 15. 2.15 Coach. 2.45 Nigel Mansell's IndyCar '93. 3.15 Wheels in Sport. 3.45 Wonder Women. (TVM 1974) 5.00 Wanted, Dead or Alive. 5.30 Highway to Heaven. 6.15 Central News 10.00 Spitting Image. 10.30 Aspel and Company. 11.30 Local Weather.

GRAMPIAN: 10.15 The Littlest Hobo. 10.45 Cartoon Time. 11.00 Sunday Service. 11.45 Link. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Country Matters. 2.30 Cartoon Time. 2.45 Junior Cup Final. 5.00 Nigel Mansell's IndyCar '93. 5.30 My Back Yard. 6.00 Grampian Headlines 6.05 Eikon. 11.30 Grampian Weather.

GRANADA: 10.15 The Littlest Hobo. 12.25 Chalte, Chalte. 12.55 Granada News 2.00 Granada Action. 2.30 A First Class County. 3.00 The Brotherhood of the Bell. (TVM 1970) 4.45 Coronation Street. 5.45 Strictly Classified. 6.15 Granada News 10.00 Spitting Image. 10.30 Aspel and Company.

HTV: 10.15 The Littlest Hobo. 12.25 HTV News. 12.30 HTV Newsweek. 2.00 Faith and Music. 2.30 The Dambusters. (1954) 4.45 The Dambusters. 5.15 Highway to Heaven. 6.15 HTV News.

MERIDIAN: 10.15 The Littlest Hobo. 12.30 Meridian This Week. 12.50 Meridian News. 2.00 Faith and Music. 2.30 The Dambusters. (1954) 4.50 Life Goes On. 5.45 Fit to Win. 6.15 Meridian News. 10.00 Spitting Image. 10.30 Aspel and Company.

SCOTTISH: 10.15 The Littlest Hobo. 10.45 Wemyss Bay 902101. 11.30 Link. 11.45 Sunday Service. 12.30 Am Prionns' Air Cheilidh. 12.55 Scotland Today. 2.00 Lifeboat. 2.30 Cartoon Time. 2.45 Junior Cup Final. 5.00 The Spirit of Scotland. 6.00 Scotland Today 6.05 Eikon. 11.35 The Scottish Religious Debate.

TYNE TEES: 10.15 The New Adventures of Black Beauty. 12.25 The Littlest Hobo. 12.50 Tyne Tees Newsweek. 2.00 Faith and Music. 2.30 Beau James. (1957) 4.25 Life Goes On. 5.20 Dinosaurs. 5.50 Tyne Tees Weekend. 11.30 Local Weather.

WESTCOUNTRY: 10.15 The Littlest Hobo. 12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.00 Faith and Music. 2.30 Calamity Jane. (1984) 4.20 Highway to Heaven. 5.15 Brief Encounters. 5.45 Heart of the Country. 6.15 Westcountry Weekend Latest.

YORKSHIRE: 10.15 The New Adventures of Black Beauty. 12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 Faith and Music. 2.30 Beau James. (1957) 4.25 Life Goes On. 5.20 Dinosaurs. 5.50 Calendar News and Weather 11.30 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon.
8.05 Brian Matthew.
10.00 Anne Robinson.
12.00 Hayes on Saturday.
1.30 News Huddlines.
2.00 Ronnie Hilton.
3.00 Steve Race.
4.00 Eve Pollard.
5.00 Cinema 2.
5.30 New Country.
6.00 The Fureys in Concert.
7.00 Edmundo Ros.
7.30 Ron Goodwin's Film Favourites.
9.30 David Jacobs.
10.00 The Arts Programme.
12.05 Ronnie Hilton.
1.00 John Terrett.
4.00 Barbara Sturgeon.

BBC RADIO 3
6.35 Open University: Free Will Discussed. 6.55 Weather.
7.00 Record Review. Wagner, Haydn, Prokofiev, Joseph Horovitz, Mendelssohn, Milhaud, Reicha, Honegger.
1.00 News. 1.05 Schubert's Piano Sonatas.
3.00 Bernstein. Mahler.
5.00 Jazz Record Requests.
5.45 Third Opinion. The effects of imprisonment on writers.
6.30 Schumann and Beethoven.
7.20 La Rondine. Puccini's opera in three acts, to a libretto by Giuseppe Adami.
9.20 The Great Gate of Mehair. A tale from the Armenian epic, The Saga of Sassou.
9.40 Martinu.
10.15 London Jazz Festival. New series. With America's World Saxophone Quartet.
12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4. .
9.30 Breakaway. Holiday and travel tips.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?.
2.00 Any Answers? 071-580 4444.
2.30 Playhouse. The New Party, by Martyn Wade.
4.00 You Know It Makes Sense. Geoff Watts looks at the photographer's art.
4.30 Science Now.
5.00 The Living World. The wildlife of the island of Lundy.
5.25 Tea Junction. A sceptical look at the week's news.
6.00 News and Sports.
6.25 Week Ending.
6.50 Home Truths. John Miller talks to British expatriates.
7.20 Kaleidoscope. Paul Allen talks to Christopher Hampton about his play Total Eclipse.
7.50 Saturday Night Theatre. Amarok, by Peter Francis Brown.
9.05 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Trivia Test Match.
10.45 Nobody's Perfect.
11.00 Richard Baker Compares Notes.
11.30 Dracula.
12.00 News.
12.33 Shipping Forecast.
12.43 Close.

BBC RADIO 5
6.00 World Service.
8.30 Weekend Edition.
9.30 Get Set.
10.30 Hopalong Cassidy.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
5.00 Sports Report.
6.06 Six-O-Six.
7.30 Afropop Worldwide.
8.30 Le Top.
9.30 Nightbeat.
10.00 Sports Bulletin.
10.15 The Way Out.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:
6.00 News. 6.30 Europe Today.
7.00 News; News About Britain; The World Today. 7.30 Meridian.
8.00 News. 8.30 People and Politics. 9.00 News; Words of Faith; A Jolly Good Show.
10.00 News; Business Report; Worldbrief. 10.30 Personal View. 10.45 Sports.
11.00 News; Printer's Devil; Letter From America. 11.30 BBC English. 11.45 Mittagsmagazin.
12.00 Newsdesk. 12.30 Meridian. 1.00 News; Words of Faith; Multitrack 3. 1.45 Sports.
2.00 Newshour.
3.00 News; Sportsworld.
4.00 News; BBC English.
4.30 Heute Aktuell.
5.00 News; Sportsworld.
6.00 BBC English. 6.30 Heute Aktuell.
7.05 German Features.
8.00 News; China Misperceived. 8.45 From The Weeklies.
9.00 News; Words of Faith; Personal View. 9.30 Meridian.
10.00 Newshour.
11.00 News; News About Britain; Jazz For The Asking. 11.45 Sports. 12.00 News; Words of Faith; Book Choice; A Jolly Good Show. 1.00 News.
1.30 Ken Bruce Show.
2.00 News. 2.01 Play: The Tragical History of Dr Faustus.
3.00 News. 3.30 The Language of Flowers.
4.00 News; News About Britain.
4.15 Sports. 4.30 BBC English.
4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean.
9.05 John Sachs.
10.30 Hayes on Sunday.
12.00 Desmond Carrington.
2.00 Benny Green.
3.00 Alan Dell.
4.00 Radio 2 Young Musician 1993.
4.30 Sing Something Simple.
5.00 Roger Royle.
7.00 Richard Baker.
8.30 Sunday Half Hour.
9.00 Alan Keith.
10.00 Arts Programme.
12.05 John Terrett.
3.00 Alex Lester.

BBC RADIO 3
6.35 Open University: Europe and a Changing World - Trading Places. 6.55 Weather.
7.00 Sunday Morning Concert.
9.00 News. 9.05 Brian Kay's Sunday Morning.
12.00 Spirit of the Age. First of three programmes celebrating the English choral tradition.
1.00 News. 1.05 Table Talk in the Sixties.
1.20 BBC Philharmonic.
2.35 Amati Quartet.
3.35 Tallis Scholars.
5.00 Bach.
5.40 Dying of the Light. The 1953 meeting between Igor Stravinsky and Dylan Thomas.
6.30 Stravinsky and Schumann.
7.30 Sunday Play. Total Eclipse, by Christopher Hampton.
9.30 A Messiaen Tribute. Messiaen, Debussy, Stravinsky.
11.00 Rock's Music. A spoken piece by Leigh Landy, based on a text by Gertrude Stein.
11.15 Music In Our Time. Xenakis. 12.30 News.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 The Living World.
7.40 Sunday. Religious news
8.00 News.
8.10 Sunday Papers.
8.50 Glenda Jackson for the Katherine Dormandy Trust's Haemophilia Cure Appeal.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers. Omnibus.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial.
3.30 Sweat and Inspiration.
4.00 Analysis.
4.47 Treasure Islands.
5.00 Kershaw in Cuba. Andy Kershaw meets exiles in Miami.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 The Village.
6.30 Wilko's Spain.
7.00 Vietnam Revisited.
7.30 Bookshelf. Can books compete with videos and CDs for the attention of young adults?
8.00 Concerto.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Podium Power.
11.00 In Committee.
11.30 Before the Ending of the Day.
12.00 News.
12.33 Shipping Forecast.
12.43 Close.

BBC RADIO 5
6.00 World Service.
8.30 Weekend Edition.
9.30 The Adventures of Tintin.
10.00 Johnnie Walker.
10.45 Cricket.
8.00 Open University.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:
6.00 Newshour.
7.00 News; News About Britain; Printer's Devil.
7.30 Jazz For The Asking.
8.00 News. 8.30 From Our Own Correspondent.
9.00 News; Words of Faith; Classics With Kay.
10.00 News; Business Review.
10.15 Short Story: Bitter Spring. 10.30 Folk Routes.
10.45 Sports Round-up.
11.00 News; Science in Action.
11.30 BBC English. 11.45 News and Press Review in German.
12.00 News. 12.30 The Ken Bruce Show; News Summary.
1.01 Play of the Week: The Tragical History Of Dr Faustus.
2.00 Newshour.
3.00 News; Life On Mars. 3.30 Anything Goes.
4.00 News; BBC English. 4.30 News And Features In German.
5.00 News; News About Britain; The Language Of Flowers. 5.45 Letter From America.
6.00 BBC English. 6.30 News And Features in German.
8.00 Classic Recordings. 8.30 Europe Today.
9.00 News; Words of Faith; Folk Routes. 9.30 Brain of Britain.
10.00 Newshour. 11.00 News; News About Britain. 11.15 Short Story: Bitter Spring.
11.30 Letter From America.
11.45 Sports Round-up.
12.00 News; Business Review; Classics With Kay.
1.00 News. 1.30 In Praise Of God.
2.00 News; China Misperceived. 2.45 The Contemporary Virtuoso.
3.00 News. 3.30 Composer Of The Month: Hector Berlioz.
4.00 News; News About Britain.
4.15 Sports. 4.30 BBC English.
4.45 News And Press Review in German.

CHESS

NIGEL SHORT shared first prize in the Euwe Memorial at Amsterdam last week, yet his success seemed incidental to the continuing war between the established world organising body Fide and the breakaway Professional Chess Association. The PCA clearly won this week's skirmishes.

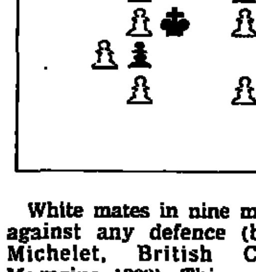
Fide threatened to remove Short and Kasparov from the world ratings, then had to admit that there were no firm bidders yet for their own substitute match between Anatoly Karpov and Jan Timman.

The ratings ban may prove a blunder, for if the PCA can start a credible tournament circuit it will simply replace the unwieldy Fide list with its thousands of names by a streamlined version.

The *Times*/PCA Kasparov v Short match will be run from September 7 to October 30. Games will be every played on Tuesday, Thursday and Saturday from 3.30pm to 9.30pm at the Savoy Theatre, London. Tickets cost from £45 to £150 per game. To sell 1,000 seats daily at these prices the organisers will need to create an entire new army of upmarket chess fans.

Some members of the British Chess Federation executive wanted to condemn Short for "bringing the game into disrepute", but the grandmaster has become a household name. This week it was revealed that he will star in an advertisement for Heinecken lager for a fee estimated at £175,000.

No 975



White mates in nine moves, against any defence (by G Michelet, British Chess Magazine 1993). This week's problem is a version of one which baffled many expert solvers at the annual Hastings congress. Nine moves sounds a lot, but the trick is in the method.

Solution Page XX

Leonard Barden

BRIDGE

MORE Killing Defence by Hugh Kelsey, has been reprinted by Gollancz at £6.99. As Hugh says, the defender constantly finds himself on unfamiliar ground, where technique is of little help, and success can be earned only by clear and logical thinking. This book will do much for your defence, but only dedicated study will allow you to reap the reward. We start with a no trump slam – here is Anticipating a Discard Problem:

	N	
	♠ A K ♥ A Q 8 3 ♦ A J 6 ♣ A K 7 3	
W ♠ J 5 2 ♥ J 9 7 2 ♦ 5 ♣ J 9 8 4 2		E ♠ Q 8 6 3 ♥ 10 6 5 ♦ Q 10 8 4 3 ♣ 6
	S ♠ 10 9 7 4 ♥ K 4 ♦ K 9 7 2 ♣ Q 10 5	

North deals with both sides vulnerable, and opens with two clubs. South gives a positive response of two no trumps, and North's raise to six no trumps concludes the auction.

You are East. To your surprise West leads the diamond five, dummy plays the six, and your ten draws South's king. The declarer returns the suit, West drops the club two, dummy's ace wins, and the knave follows. How do you defend? Presumably West holds an honour in the other three suits, and led the diamond as the least of all evils. But his honours are only knaves – South's response marks him with heart king and club queen. South has 11 top tricks, and there is a heart-club squeeze against West, if you take this trick.

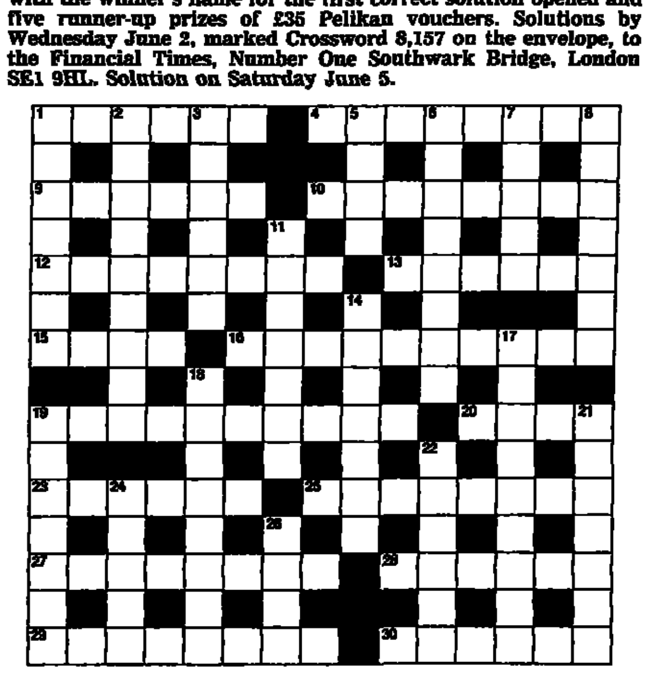
Is there any defence? Yes, you can upset the timing by forcing South to play his squeeze-card (nine of diamonds) prematurely. West has two idle cards in spades, and it is dummy that is to be squeezed. If you return any card but a diamond, South will win, cash ace and king of spades, and the diamond nine will close the vice on West.

E P C Cotter

CROSSWORD

No. 8,157 Set by GRIFFIN

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday June 2, marked Crossword 8,157 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday June 5.



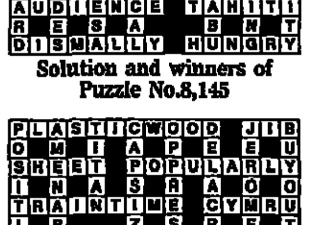
Name...

Address...

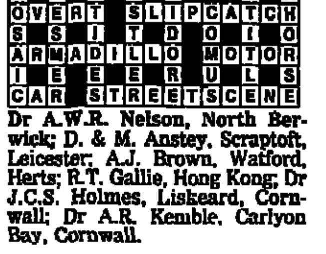
ACROSS
1 Times things working (6)
4 Officer Dicky Flint, caught during battle (8)
9 It's worn when rebuilding organs (6)
10 One starting to pray inside (8)
12 I go into French marshal's injustice (8)
13 Rodent made teachers look back (6)
15 Plausible politician is after £1,000! (4)
16 Pin-up that's a tart (10)
19 In finals did badly, you say, sneering (10)
20 Continent shown in atlas, I agree (4)
23 Fight to get club let off (6)
25 Pub that is not backed introduced singer (8)
27 Observer disturbed lone rook (8)
28 Outlaw boring part about a joiner (6)
29 Making good progress fitting side in pipe (8)
30 Southern ring road taking princess back to base (6)

DOWN
1 Setting up home with northern gent is foolish (7)
2 Reading about when to get shrubs (9)
3 Organ in a Brighton guest house (6)
5 Frank takes writer round first (4)
6 They're unsuccessful if a rule's broken (8)
7 Shot trespasser pointlessly (5)
8 Bank tiny amount (about a sovereign) (7)
11 Throwing top away is irritating (7)
14 Fellow American accepted genuine option (7)
17 Second bad doctor left secretly (9)
18 Brush everything into the dancing area (8)
19 Call promissory notes doubtful (7)
21 Warned of faulty treadle (7)
22 Sign protecting a shrew (6)
24 Tutu, 50% lisle, is not of thin silk (5)
26 Interviewed nurse taking English (4)

Solution to Puzzle No.8,156



Solution and winners of Puzzle No.8,145



Dr A.W.R. Nelson, North Berwick; D. & M. Anstey, Scraptoft, Leicester; A.J. Brown, Watford, Herts; R.T. Gallie, Hong Kong; Dr J.C.S. Holmes, Liskeard, Cornwall; Dr A.R. Kemble, Carlyon Bay, Cornwall.

View from peaks of progress

***Dominic Lawson** on what a photograph of Everest tells us about our values*

A REVOLTING and revealing photograph was published in the May edition of *High Mountain Sports*, the official magazine of the British Mountaineering Council.

It was taken by the French photographer, Pierre Royer, and shows the scene at 26,000 feet on the South Col of Everest. It is a scene of filth, devastation and pollution. The refuse of countless expeditions is scattered almost as far as the lens can see. We are told that the litter on the plateau just below the summit weighs about 20 tons, and that yet another expedition will have to be organised to remove the mess.

Among the detritus are between five and nine corpses – no one seems to know how many. Some have been left open to the elements, others hidden under stones.

The picture was published some weeks before the near national hysteria in Britain over the climb to the summit of Everest by Rebecca Stephens, the first Englishwoman to succeed in the attempt. It is of course, a great achievement: the corpses on the South Col are grim testament to the hazards. But I wonder what Stephens thought when she surveyed the mess, which looks like nothing so much as Piccadilly Circus during the dustbin men's strike of 1979.

She probably did not have much time to think. There are so many people climbing Everest that any one who hesitates loses his, or her, place in the queue to the summit.

I suppose it will be claimed as a wonderful thing that what was once a virtual impossibility is now almost routine. At about the same time as Lord Hunt and Tenzing Norgay made the first full ascent of Everest, Sir Roger Bannister became the first person to break the four minute mile. That has become even more of a commonplace than climbing the world's highest mountain. Athletic records fall almost daily, and each fresh edition of *The Guinness Book of Records* charts the unfailing progress of man towards some ultimate and as yet unquantifiable ideal of fitness and fastness.

Does this mean that we are evolving into some race of supermen and women? I suppose that physically and medically, that might happen. And indeed much of the health journalism which has spread from the US seems predicated on the notion that we all not only could, but should become physically perfect. The only drawback to this ideal, the inevitability of death and decay, is never mentioned.

This form of secular body worship, the notion that we can become physically perfect, is probably harmless enough, and less morally hazardous than most emanations of the displaced religious impulse. The danger lies in the illusion that if we are continuously advancing physically, we must also be evolving mentally and creatively. This belief lies behind much that is meretricious in art and literature.

Artists who come up with something new are lionised, awarded the Turner Prize and appear on late night television. The fact that the new idea might be a pile of bricks, or a crucifix in a tub or urine, just to take two recent examples of acclaimed new art, seems to cause no concern among believers in the progressive ideal.

Somehow the thought that what is new might be regressive, a defeat for mankind, does not occur. The intellectual sphere of human attainment becomes as value-free as a one-mile race, or a climb up a mountain. Perhaps if the athletic records were to dry up, if the life expectancy of the western male were to cease its unremitting rise, there might be a greater willingness to acknowledge that artistic and literary standards could be declining, and that we have more to learn from the scarcely digested old than the indigestible new.

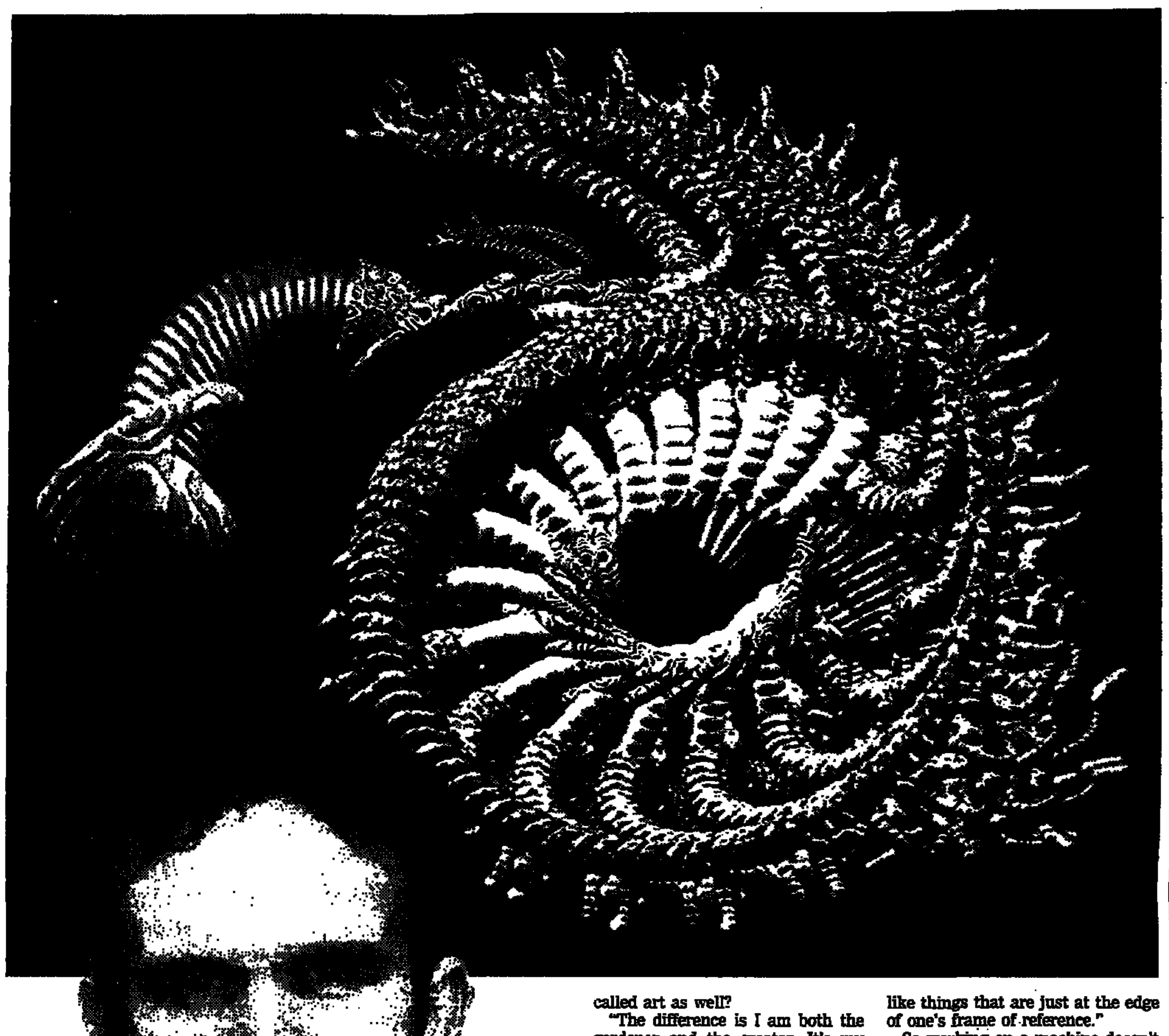
The photograph of the human refuse and remains on Everest is as good an illustration as any of the descent of man, even as he/she climbs the peaks: it is hard to imagine the mountaineers of 40 years ago leaving bodies unmarked and unburied, for someone else to clear up, if not honour. Lord Hunt, the leader of the 1953 ascent of Everest has described the conduct of his successors as " unthinkable... inexcusable." But I doubt that Lord Hunt's words and Royer's photograph will influence the public as much as the smiles and exhilaration of Stephens. Mankind can stand only so much reality.

■ *Dominic Lawson is editor of The Spectator.*

Private View/**Christian Tyler**

Mutations of an artist in the lab

***William Latham** on the aesthetics of his computer-generated 'virtual sculptures'*



BUT IS IT Art? William Latham says it is, though he does it at the console of a computer in an underground laboratory at an IBM research station in southern England.

He sits in the half-darkness breeding "virtual sculptures" out of mutant forms borrowed from nature – horns, shells, slugs and eggs – and sets them afloat in computer space like visitations from a nightmare. Not only are they art, says Latham, they are a statement of the artist's function in a technical world.

"My work links into the Renaissance and Dürer's concern with geometric primitives. It has connections with Leonardo and his sketchbooks." His other influences are Surrealism, "systems art" and the Russian Constructivists, Pop Art and SF films such as *Aliens*.

"I am exploiting technology and commenting on it at the same time," he explained. "Normally an artist stands on the edge of society as a spectator making comments. The artist on canvas is on the outside, whereas I have become a cog in the science machine.

"Maybe it's the 20th century's view of artists that is wrong. They are peripheralised, expected to behave like savages, when really they are often highly perceptive and can make a much wider contribution. It's wrong that they should be limited to commercial galleries and museums. Visual communication is very powerful and it is a skill that many people don't have. There's not enough art at school. I think that's criminal."

William Latham is genuinely an artist; he started painting at 13, won a scholarship to Stowe School, a First in fine art at Christ Church, Oxford, and a Henry Moore scholarship to the Royal College of Art in London. From simple geometrical shapes he began to construct, on paper, a vast family tree of forms. He applied to IBM for help and was taken on six years ago as a research fellow – a sort of artist in residence.

IBM was practising community outreach. But its investment in Latham has proved commercially valuable. For his evolutionary project led to the creation of "Mutator", a sophisticated computer program which, because it it permits the use of intuitive judgment, could revolutionise not only graphic design but financial and economic modelling, automobile design, motorway planning, medical image processing and criminal identification.

"Mutator" could not have been created, however, without Latham's colleague, Stephen Todd, a pure mathematician (also with a First from Christ Church) and full-time IBM employee.

The invention of Mutator raised unusual questions of copyright: and since Latham sells his art works (large photographs of his cyber-creatures) through his own company, he was obliged to take legal advice.

"To work with big corporations you have to be very hard-nosed sometimes and diplomatic at other times, especially if you're using millions of pounds of their computer time to do what you like," he said.

Don't you find the environment alien?

"I have accustomed myself to it. Because I'm not an employee I'm treated a bit like a guest. I quite like the environment actually. I've always found it difficult working in a studio by myself. I find it better when stuff is happening around me: you feel you are part of the nervous system of technology."

But that subterranean air-conditioned office... I wonder your artistic sensibility doesn't revolt.

"In some ways it has its own aesthetic, the lab world. I find it very necessary to get away from all this and shut it out of my mind. That's why I live in London." Latham's wife Belinda Channer is an artist too and they have a six-month-old baby, Daisy.

Did you have conventional prejudices about scientists?

"No, largely because my father was an industrial chemist. It's odd why I didn't become a scientist. I do think very subjectively, but analytically as well. I switch very quickly from one to the other – working with computers forces one to."

Latham made a distinction between the creative scientists like his colleague Stephen Todd and the programers who live a narrower, systems-dependent existence.

I asked him about the mind-numbing jargon of the computer industry.

"It's a bit like Latin in the Middle Ages. If you spoke it you communicated with people across the world, but if not you were hostile. It hasn't helped by making people quite fearful of technology. But jargon is necessary as a short-hand."

William Latham describes the computer screen as a window into his own imagination and his "sculptures" as snapshots through the window. The mutations are generated randomly but according to parameters set by the artist, and he intervenes to select them on aesthetic grounds. His animated films demonstrate the evolutionary process.

Are these creatures as real to you as the real world?

"About the same. I sometimes feel sorry about killing a mutation. You become attached to them in a funny sort of way, a bit like a pet. They float around and the babies cluster round the parent like bees around a honeypot. Should I really kill these little things clustering around their parent? Is it morally incorrect to kill these forms if they are behaving autonomously?"

Having instruction keys on the computer which read "marry", "breed", "gene-splice", "kill" makes it worse, he said. "The morality of computer space..." he laughed.

But is it Art?

Latham sells about six of his big Cibachrome prints a year (they go for £2,000 upwards) through a London gallery; and has exhibited in Europe, the US, Japan and Australia. "Why shouldn't art be sold in the same way as a symphony on a CD? What I don't like is the elitism, the mafia, snobbishness, art being only for the rich."

Aren't they just computer graphics?

"There is this argument. If I'm like a gardener making flowers for a show or a dog-breeder breeding for Cruft's, it doesn't necessarily make me an artist. If you find a beautiful shell on a beach shouldn't that be called art as well?

"The difference is I am both the gardener and the creator. It's my system, crafted with Stephen to match exactly my ideas. I can go behind the scenes and change the evolutionary rules then come out again as the gardener and breed more forms. I agree that if I was just the gardener someone else could do it instead.

"Another interesting question is whether the role of the artist is to create the system that other people use to make their own art – so art becomes a collective experience.

"Yes, I would describe what I do as art. But maybe the purpose of my work is to question. I think all good art questions the definition of what art is. Does the meaning of art change with evolution and computers? Or is there another term? I don't really try and answer those questions."

But where is the personal stamp?

"The personal stamp is that I define the evolutionary system and the rules of growth, then Stephen hard-codes that."

The objects are very impersonal.

"Like nature. Like that plant." He pointed to a pot plant. "It is austere. I want things to be austere so someone looking at them wouldn't realise there was any human involvement at all. I want it to be very cold and very uncompromising, to get this quality of natural forms... Nature is hostile. I like photos of giant bed-bugs, blown up."

You mean you have a taste for the weird?

"Yeah", he laughed. "I think so."

Is this a psychological problem? I asked, half-seriously.

"I think I'm quite a normal sort of guy." He laughed again. "But I do like things that are just at the edge of one's frame of reference."

So working on a machine doesn't limit your imagination?

"Not really, so long as I keep producing weird forms." The machine enables him to be more productive, he said. "It's quite cathartic, in some ways like Picasso's late work when he was just churning this stuff out... getting ideas out of one's imagination. All artists have these drives."

And does your work carry any message?

"You could say it's a comment on the whole area of genetic engineering and man's tampering with the natural world, a subtle parody of science and technology. In a thousand years everything may have been genetically manipulated. So there's a sort of paranoia there about things ceasing to be natural."

Geneticists and the military have shown an interest in "Mutator". One day, Latham said, it might be used for purposes with which he did not agree.

Such as a eugenics programme for humans?

"My structures are not representations of natural oiljects. It would have to be a lot more complicated, but we've got the basis of research here that could take it into that area. We ourselves don't."

So you could find yourself in 20 years the unwitting father of some monstrous project?

"I hope not. But those are the dangers. It comes back to this human fascination for exploring without knowing where it will lead. It might mean mutating molecules for some medical cure.

"But the point is that the artist is no longer on the periphery."

As they say in Europe/**James Morgan**

The ordinary and the evil

HEROISM and evil provide an essential journalistic staple. The past week offered the case of four women and one man who reflected the naturally excitable, even hysterical, approach of the British and the phlegm of the French.

Let us start with one of those peculiar records. The *Daily Express* wrote: "Rebecca Stephens battled on to become the first British woman to conquer Everest. No one is better able to sum up her achievement than Lord Hunt, leader of the first expedition to conquer Everest exactly 40 years ago. 'It is a tremendous achievement, particularly as she has had relatively so little experience.'" This combination of braggadocio and bathos is typically British and its disappearance would constitute a serious folkloric loss, but it inevitably devalues real achievement.

The other woman who loomed large in the British press was a hospital nurse, Beverley Allitt, who was found guilty of the murder of a number of children in her care. It was a horrifying case and the tabloid press played on the lynch mob mood. "Let us kill Allitt," was the headline in the *Sun*, quoting the bereaved parents and dropping the inverted commas.

A few days earlier the French had watched with bated breath as a gunman, one Eric Schmitt, demanded FFr100m (£12m) in exchange for six children he held in a nursery school outside Paris. He was killed by the police but the children were saved, physically and psychologically, largely thanks to the fortitude and skill of their teacher, Laurence Dreyfus, assisted by a 25-year-old paediatrician, Evelyne Lambert.

The two women received the accolades of an admiring press, but in the extensive comment there was no reference to "the courage of French womanhood," no bluster, no triumphalism. A rich stream of clichés flowed, but followed a course unknown in Britain. *Presse-Océan* wrote of Schmitt: "Unemployed and divorced. Even if he incarnated the two great evils of our society, Eric Schmitt, the so-called human bomb, deserved no pity."

It was the drama of the human condition that drew the most attention. As *France-Soir* put it: "... the mystery is that of the quiet man who becomes paranoid, of a destiny which crashes and wavers between tragedy and strip cartoon." For *Sud-Ouest* the heroines of the affair raised up the rest of society: "The courage of these ordinary people is an extraordinary example which shows that bravery and guts do not belong only to the great and the strong: it reminds us that we are not all bastards or rotten, or egotists and cynics, and that it is not necessary even in this grey period of pessimism, to despair of man."

This theme was surprisingly widespread. From central France I read: "The rescue of the hostages from their nursery school revealed the marvellous devotion of the anonymous servants of the state and the comforting solidarity of citizens for once torn from their selfishness."

The difference between the popular press in Britain and in France is clear. The former believes that ordinary people are wonderful, and indeed constantly tells its readers how particularly wonderful they are. For these papers, everybody who was ever once involved in any hostilities on the British side is a "hero" and those who act to prevent their goods being stolen are always "plucky." When anyone behaves really badly, therefore, tabloid indignation knows no bounds. Evil is abnormal and punishment has to take the most extreme forms.

In France there is some surprise when people behave well. Eric Schmitt was portrayed as "normal," as a not unexpected phenomenon in a society which bears many scars in a world burdened with original sin. So rare, in fact, is the demonstration of virtue that it has to be rewarded immediately. Thus the two women who protected the children from Schmitt were made members of the Légion d'honneur on the very day their charges were saved.

Honest John Bull would have ensured civil servants spent 18 months looking into the matter, seeing if either candidate had ever parked on a double yellow line and then given each a "British Empire Medal" because that would not exceed the honour bestowed on the chairman of the school governors who was already a "Member of the British Empire." The chairman of the company which supplied the portion-controlled frozen food during the siege, having made the appropriate donations, would have exchanged the appellation of Julian Featheringnest for that of Lord Linepocket.

This is a system with which the prime minister, John Major, has promised to tinker. What cannot be fixed is an incurable Anglo-Saxon optimism about human nature that makes even the banal evils generated by sick minds the subject of endless shocked exposition and indignation.

■ *James Morgan is economics correspondent of the BBC World Service.*

On the trash heap

Michael Thompson Noel

I WAS not a happy chimpanzee this week. I was Mr Sad of Sad City – sad beyond endurance that Norway and Japan are up to their tricks again with their barbarous keenness to restart commercial whaling. I thought we had finished with whaling. I thought we had agreed that the time was long gone when we should be firing explosives into the backs and flanks of our greatest mammals so that Norway and Japan could continue to eat whale-meat and light their street lamps with blubber-oil to perpetuate an aboriginal lifestyle.

The madness of humans is not something that shocks me. The thing that shocks me is our naked stupidity. If you count them up, there are about 40m ways in which we are trashing our planet and the lifeforms we share it with. Yet the moment we seem to be making progress we slam into reverse and grab our harpoons.

I laugh at people who believe that humans are special or superior – citing, usually, nothing more impressive than the Sistine Chapel or our moon-landings or religions as evidence of this superiority. They are wrong. In the history of human evolution, the Sistine Chapel will be seen as a daub, the moon-landings as child's-play and our religions... don't tempt me.

In the meantime, we keep trashing the planet. Apart from the whales, the reason I was Mr Sad of Sad City this week was because I was reminded how swiftly and thoroughly we set about this trashing when we really try. The reminder came in an article in *Earthwatch*

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magazine by Fred Hill, a writer based in Idaho, in which he describes how a high-desert valley in south-eastern Arizona, where he grew up, was trashed by modern farming methods.

The valley was opened to white settlement in the 1930s by the Army and rancher-pioneers, who drove the native Americans back into the hills and eventually onto reservations. The valley wasn't particularly desirable land. But his family and their neighbours were good at what they did.

"My stepfather could read the crops; he knew the precise amount of fertiliser and water they needed and when they would be ripe for harvest. He could read the weather and know to the hour when the rains would hit. He knew exactly when to cut the hay so that it could be raked and baled and put up without being rained on... He knew when to pick the cotton so that it was fully developed but not so mature that it would fall from its boll and be lost on the ground. He loved the land and crops and cattle, and treated them all with the deference that was their due."

It wasn't enough. As time went on, farmers had to learn new ways. They had to become mechanics. To be good businessmen and keep full records. To understand markets. Understand investment terms. Manipulate tax positions. Develop strategic plans. Experiment with new crops. Almost overnight they had to become experts in lubricants, fuels, pesticides, herbicides and soil analysis.

Few could learn the new ways fast enough. And of course the water ran out. The water in the aquifers was 10,000 years old, so even had there been rain it could not have been replenished.

"We were ignorant of the harm we were doing and ignorant of different choices that we could have made," writes Hill. "We were also greedy, some of us... Radio and especially television made us yearn for that radiant easy life, but did not show us the value of what we scorned and were leaving behind.

"We put too many cattle on the native grass, even during dry years. We overgrazed... and destroyed the water that we needed. We stripped the land of every scrap of sellable product... We poured on the fertilisers and herbicides and fungicides and pesticides in ever-increasing volume and variety, and beat the living soil into lifeless clay. We ploughed and disked and baled and levelled, pounding the soil into a hardpan impervious to water. The alkali salts leached to the top and poisoned the crops."

Sometimes intentionally, sometimes not, they killed coyotes, badgers, snakes, turtles, rabbits, ants – every living creature that they deemed superfluous to their own narrow interests.

They were driven off the land. In time, says Hill, all that will be left of the fierce battles of three generations will be memories lying restlessly in the minds of their children.

Norway and Japan – watch out.